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A	1ST NATIONAL FILM CORP	10Q	03-31-92
B	ALLEGHENY GENERATING CO	10Q	03-31-92
C	ANALYTICAL SURVEYS INC	10Q	03-31-92
D	ANSONIA DERBY WATER CO	10Q	03-31-92
E	COSMO COMMUNICATIONS CORP	10Q	03-31-92
F	DAHLBERG INC	10Q	04-04-92
G	DAKOTA BANCORP INC	10Q	03-31-92
H	ENERGY VENTURES INC	10Q	03-31-92
I	ENVIRONMENTAL SERVICES OF AMERICA INC	10Q	03-31-92
J	ELXSI CORP	10Q	03-31-92
K	GTE HAWAIIAN TELEPHONE CO INC	10Q	03-31-92
L	HADSON PETROLEUM (USA) INC	10Q	03-31-92
M	HOMASOTE CO	10Q	03-31-92
N	INTELLIGENT FINANCIAL CORP	10Q	03-31-92
O	INVITRON CORP	10Q	03-31-92
P	MARY KAY CORP	10Q	03-31-92
Q	OLD KENT FINANCIAL CORP	10Q	03-31-92
R	PETROMINERALS CORP	10Q	03-31-92
S	UNITEL CORP	10Q	12-31-91
T	UNIVERSAL CABLE TELEVISION INC	10Q	03-31-92
U	VIRAL RESPONSE SYSTEMS INC	10Q	03-31-92
V	WESCO AUTO PARTS CORP	10Q	03-31-92

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal quarter ended: March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to ________________

RECD S.E.C.
MAY 15 1992
180

Commission file number: 0-18866

1st National Film Corp.
(Exact name of registrant as specified in charter)

Colorado
(State or other jurisdiction of incorporation or organization)

93-1004651
(IRS Employer Identification No.)

500 Capital of Texas Hwy. North; Bldg. 6, Suite 200; Austin, Texas 78746
(Address of principal executive offices) (City and State) (Zip Code)

(512) 327-3456
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past ninety (90) days.

Yes: X No:__

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of registrant's only class of common stock as of March 31, 1992, was 4,868,138 shares of its common stock, par value $.005 per share.

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MAY 18 1992

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1ST NATIONAL FILM CORP.
(Formerly Power Capital, Inc.)

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1ST NATIONAL FILM CORPORATION
(A Development Stage Company)

FINANCIAL STATEMENT

March 31, 1992

1ST NATIONAL FILM CORPORATION
(A Development Stage Company)

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Taylor & Company
Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board Of Directors
1st National Film Corporation

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of 1st National Film Corporation and its subsidiaries, as of June 30, 1991, and the related consolidation statememts of operations, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated August 22, 1991, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of June 30, 1991, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived. The opinion previously expressed for the financial statements at June 30, 1991 included an explanatory paragraph regarding substantial doubt about the Company's ability to continue in existence as a going concern.

Taylor & Company

May 5, 1992

261 East 300 South, Suite 350
Salt Lake City, Utah 84111
Fax (801) 355-2019
(801) 521-8118

1ST NATIONAL FILM CORPORATION
(A Development Stage Company)

CONSOLIDATED BALANCE SHEET

	March 31, 1992 (unaudited)	June 30, 1991
ASSETS		
Current Assets		
Cash	$ 10,829	$ 3,922
Film inventory	766,875	764,708
Prepaid expenses	-	1,000
Deferred charges	-	29,250
Total Current Assets	777,704	798,880
Property and Equipment	46,658	45,725
Other Assets		
Film inventory	2,274,113	2,266,928
Organizational costs	233	308
Deposits	3,452	542
Total Other Assets	2,277,798	2,267,778
TOTAL ASSETS	$ 3,102,160	$ 3,112,383

See accompanying notes

1ST NATIONAL FILM CORPORATION
(A Development Stage Company)

CONSOLIDATED BALANCE SHEET

	March 31, 1992 (unaudited)	June 30, 1991
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Notes payable	$ 393,835	$ 250,000
License fees paid in advance	29,750	29,750
Accounts payable	773,998	734,209
Accrued expenses	206,966	94,897
Deferred revenues	59,000	59,000
Current portion on capital lease obligation	15,351	9,103
Total Current Liabilities	1,478,900	1,176,959
Long-Term Capital Lease Obligations	9,184	15,432
Shareholders' Equity		
Common stock, $.005 par value, authorized 10,000,000 shares, issued and outstanding 4,928,138 shares	24,642	23,921
Paid in capital	3,675,621	3,019,274
Deficit accumulated during development stage	(2,086,187)	(1,123,203)
Total Shareholders' Equity	1,614,076	1,919,992
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 3,102,160	$ 3,112,383

See accompanying notes

1ST NATIONAL FILM CORPORATION
(A Development Stage Company)

CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)

	For The Nine Months ended March 31	
	1992	1991
REVENUES	$ -	$ 1,271
Expenses		
Amortization	75	75
Depreciation	9,312	-
Legal & Professional fees	110,717	113,734
General and administrative	742,880	390,693
Legal Settlement	100,000	-
Total Expenses	962,984	504,502
Net Loss	$ (962,984)	$ (503,231)
(Loss) Per Share	$ (.20)	$ (.11)
Weighted Average Number of Common Shares Outstanding	4,846,233	4,642,305

See accompanying notes

1ST NATIONAL FILM CORPORATION
(A Development Stage Company)

CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED) CONTINUED

	For The Three Months ended March 31 1992	For The Three Months ended March 31 1991	For The Period July 6, 1989 (Inception) to March 31, 1992
REVENUES	$ -	$ 10	$ 4,482
Expenses			
Amortization	25	25	275
Depreciation	3,503	-	19,390
Legal & Professional fees	61,435	(53,234)	496,975
General and administrative	267,600	250,508	1,474,029
Legal Settlement	100,000	-	100,000
Total Expenses	432,563	197,299	2,090,669
Net Loss	$ (432,563)	$ (197,289)	$ (2,086,187)
(Loss) Per Share	$ (.09)	$ (.04)	$ (.44)
Weighted Average Number Of Common Shares Outstanding	4,876,570	4,642,305	4,704,927

See accompanying notes

1ST NATIONAL FILM CORPORATION
(A Development Stage Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Nine Months Ended March 31 1992	Nine Months Ended March 31 1991	For The Period July 6, 1989 (Inception) to March 31, 1992
Cash Flows Used By Operating Activities	$(628,074)	$(241,431)	$(687,051)
Cash Flows From Investing Activities			
Purchases of Film Inventory	(8,102)	(11,722)	(876,633)
Purchase of Property and Equipment	(10,245)	-	(11,245)
Loans made	(4,000)	-	(4,000)
Deposits	(2,910)	-	(2,910)
Net Cash Used By Investing Activities	(25,257)	(11,722)	(894,788)
Cash Flows From Financing Activities			
Proceeds from notes payable-shareholder	297,835	127,000	668,547
Payments on notes payable-shareholder	-	(75,280)	(75,280)
Payments on long term debt	(222,000)	(100,000)	(1,022,000)
Merger proceeds	-	50,000	50,000
Proceeds from sale of common stock	509,341	188,821	1,911,316
Proceeds from additional paid in capital	75,062	-	75,062
Organization costs	-	-	(8)
Deferred offering costs	-	-	(14,969)
Net Cash Provided By Financing Activities	660,238	190,541	1,592,668
Net Increase In Cash	6,907	(62,612)	10,829
Cash - Beginning of Period	3,922	75,785	-
Cash - End of Period	$ 10,829	$ 13,173	$ 10,829

See accompanying notes

1ST NATIONAL FILM CORPORATION
(A Development Stage Company)

Supplemental Schedule of Non-Cash Investing and Financing Activities

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The Company issued common stock to provide capital for film inventory purchases valued at a cost of $1,113,105.

Debt obligations were incurred in the acquisition of film inventory amounting to $1,300,000.

Short term debt from stockholder of $120,000 was converted to capital.

Shareholder loans of $230,777 were converted to capital.

Accounts payable for legal fees of $144,557 were converted to capital.

Deferred charges of $28,000 were applied to a note payable, according to the contract terms.

Property was transferred to the company by its President of $55,345 less related obligations of $24,535 for a net capital contribution of $30,810.

Employees were issued stock for $37,000 as part of a general compensation package.

A note receivable for $4,000 from an officer was offset against a note payable to the same officer.

1ST NATIONAL FILM CORPORATION
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1992

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements included here have been prepared by 1st National Film Corp. (the "Company") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "Commission"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted as allowed by such rules and regulations, and the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the Company's June 30, 1991 audited financial statements and the accompanying notes thereto.

The Company's management believes the accompanying unaudited condensed financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly the operations and cash flows for the periods presented.

The results of operations for the three month and nine month periods ended March 31, 1992 are not necessarily indicative of the results to be expected for the full year ended June 30, 1992.

NOTE 2 DEBT

In December 1991, new debt of $222,000 was acquired to enable the Company to make the final payment to Lou Scheimer for the purchase of the film "Happily Ever After". According to the loan contract, payments made to Lou Scheimer for deferred charges were applied against the final payment.

NOTE 3 CONTINGENCIES

The following are pending litigation or claims against the Company, which were filed as a result of the name change of the film "Snow White In The Land Of Doom" to "Happily Ever After".

WNK Enterprises, Inc.

On May 11, 1990, WNK Enterprises, Inc. ("WNK") filed a complaint against the Company seeking compensation for damages in the amount of $248,000, plus interest. The complaint alleges that WNK expended the sum of $198,000 in the development, purchase and marketing of various licensed products bearing the name "Snow White in the Land of Doom". WNK alleges that the Company breached the Merchandising Agreement they entered into with the Company on November 21, 1989, when they changed the name of the film to "Happily Ever After".

The Company has filed an answer to the complaint, asserting, among other defenses, that WNK's claims are barred by its negligence in developing, manufacturing, and purchasing the products and barred by WNK's design, development, manufacture, and production of defective, substandard or unacceptable products. Further, WNK materially breached the licensing agreement by circumventing the agreement's approval process, which was very explicit in its explanation that no production may ensue prior to the Company's approval of all art work, designs and packaging. While the Company intends to vigorously defend itself against the claim asserted, the probable outcome of this matter is unknown.

Kaleidoscope Films, Inc.

In August 1990, Kaleidoscope Films, Inc. ("Kaleidoscope"), filed a complaint in the Superior Court of the State of California against the Company seeking recovery in the amount of approximately $120,000 for non-payment of services performed by Kaleidoscope, including production of various trailers, television spots and other advertising material for the film "Happily Ever After". The Company does not contest the amounts owed, but has been unable to make said payments.

NOTE 3 CONTINGENCIES (Continued)

Kaleidoscope Films, Inc. (continued)

In connection with the filing of the complaint, Kaleidoscope was also able to obtain a writ of attachment covering all materials for the film "Happily Ever After" located at Deluxe Laboratories in Los Angeles, California, which materials include the negative of the film from which prints for the release of the film will be made. Judgment has been be entered in the amount of $120,000, plus interest and related expenses, and the lien of film materials is expected to continue until any judgment is satisfied.

The Company's management has been in discussion with Kaleidoscope and its counsel in order to arrive at a settlement in this matter. At issue is a proposed "joint custody" arrangement and promissory note with proposed payment schedules. Kaleidoscope has expressed that it is agreeable to the plan, and would agree to set aside the writ of attachment, provided that the Company is able to produce some substantial measure of good faith payment upon execution of the agreement.

NOTE 4 SETTLEMENTS AND JUDGMENTS

Lucky Bell Plastic Factory Limited

Lucky Bell Plastic Factory Limited ("Lucky Bell") has alleged that the Company's subsidiaries breached a licensing agreement made and entered into between 1st National Film Merchandising Corporation and Lucky Bell on December 1, 1989 by the decision of 1st National Film Corporation (California) to change the title of "Snow White in the Land of Doom" to "Happily Ever After". In May 1990, 1st National Film Corporation (California) offered to pay $100,000 to Lucky Bell to compensate it for art work and packaging costs incurred in the film's title change. On September 21, 1990, Lucky Bell requested arbitration of this dispute, on the basis of the failure by 1st National Film Corporation (California) to pay offered remuneration, and further claimed damages of $2.5 million due to the postponed release of "Happily Ever After".

The Company's counsel later determined that the offer to pay Lucky Bell $100,000 was not a legally completed contract and therefore, 1st National Film Corporation (California) did not have an enforceable liability for $100,000.

NOTE 4 SETTLEMENTS AND JUDGMENTS (Continued)

Lucky Bell Plastic Factory Limited (Continued)

At the arbitration hearing held in September 1991, the Company's counsel presented the argument that Lucky Bell could not take 1st National Film Corporation (California) through arbitration for damages because the agreement to arbitrate disputes was with the Company's subsidiary 1st National Film Merchandising Corporation. Counsel's argument was that an alter-ego case such as this cannot be decided through arbitration. The Arbitration Association agreed with the Company's counsel, and Lucky Bell was compelled to file a claim through California Superior Court.

In January 1992, Lucky Bell filed a motion in California Superior Court to have 1st National Film Corporation (California) declared the alter-ego of 1st National Film Merchandising Corporation (California). On February 7, 1992, Superior Court dismissed and denied the motion by Lucky Bell.

On March 12, 1992, the Company entered into an agreement through mediation to settle the dispute with the following terms:

1. The merchandise license agreement dated December 1, 1989 is reinstated effective March 12, 1992 with an extended termination date of December 31, 1995.

2. On or before June 12, 1992, the Company shall pay Lucky Bell Plastics Factory $100,000.

3. On or before June 12, 1992, the Company shall issue 48,485 shares--which equals $400,000 at the market price on March 12, 1992--of 1st National Film Corporation Rule 144 restricted stock to Lucky Bell Plastics Factory.

Highland Impact

On December 14, 1990, the Company entered into an agreement with Highland Impact as part of a settlement to a claim filed by Highland on October 1, 1990. The amount of the settlement was for $30,000 of which $1,500 was paid upon the signing of the agreement. The balance of $28,500 was to be paid in full by April 1, 1991, or Highland Impact would have the right to file a stipulation for entry of judgment to protect their claim in order to recover the amount. As of March 31, 1992, the Company had been unable to make its payments but expects that it will be able to do so in the period ending June 30, 1992.

NOTE 4 SETTLEMENTS AND JUDGMENTS (Continued)

Wallen Green

The company settled with Wallen Green for $15,000 to be paid as follows: $1,000 per month for eight months and a balloon payment of $7,000. If the Company defaults on any payment, Wallen Green has a stipulation for judgement. The Company defaulted on the third payment and a judgment for $19,519 was entered against the Company.

Donaldson

In May 1990, Michael C. Donaldson filed a complaint in the Superior court of the State of California against the Company and its subsidiary, 1st National Film Merchandising Corp. seeking recovery of legal fees in the amount of $103,867. Mr. Donaldson is the Company's former attorney and he claims that amounts are owed for legal services previously rendered. The Company has entered into a settlement with Donaldson in the amount of $30,000. The amount was to be paid in two installments, the first of which was paid August 15, 1991, in the amount of $3,000, and the final payment of $27,000 was due on January 15, 1992. In the event the Company defaulted on the final payment, Donaldson has a stipulation for entry of judgment in the amount of $75,000.

In January 1992, the Company paid Donaldson a total of $10,000 on the amount due. Donaldson has agreed to extend the due date and refrain from filing the judgment against the Company in consideration of an additional payment of $1,500. That amount has been accrued in this period.

NOTE 5 STOCK SPLIT

On February 6, 1992, the Company effected a reverse split of its common stock and warrants on a 50-into-1 basis. The par value of the Company's common stock was changed from $.0001 to $.005 and the authorized number of shares were changed from 500,000,000 shares to 10,000,000 shares.

NOTE 6 STOCK WARRANTS

The Company has 400,000 issued and outstanding warrants (200,000 Class A and 200,000 Class B) exercisable for one share each of the Company's Common Stock (par value $.005) at a price of $12.50 each, which expire on April 1, 1992. On March 6, 1992, the company extended the expiration date of the warrants to April 1, 1993.

NOTE 7 PROMOTIONAL AGREEMENTS

Entertainment Marketing and Communications International

On February 5, 1992, the Company signed an agreement with Entertainment Marketing and Communications International (EMCI) for the exclusive marketing and promotional representations of three films. Under the terms of the agreement, EMCI becomes the exclusive licensing and promotional sponsorship agent for 1st National Film Corporation for the next fifteen years.

Hollywood Broadcasting Network

The Company signed a letter of intent under which it will receive three million in television advertising time from Hollywood Broadcasting Network, a subsidiary of Future Communications, Inc., in exchange for unregistered stock in 1st National Film Corp.

The Company will use the advertising time to promote the national theatrical release of "Happily Ever After" and to sell merchandise based on the characters in the film.

1ST NATIONAL FILM CORPORATION
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1992

NOTE 8 SUBSEQUENT EVENTS

Stock Compensation Plans

Milton Verret, the Company's president, received 249,751 shares of Rule 144 restricted stock pursuant to a compensation plan approved by the directors of the Company in consideration of services rendered and past capital contributions made to the Company through June 30, 1991.

The Company's directors have also approved a bonus plan for the Executive Vice President based upon negotiations for certain contracts. At the completion of successful contract negotiations, the Vice President will receive 100,000 shares of common stock. The Company anticipates issuing this stock prior to June 30, 1992.

ITEM 2. MANAGEMENT'SDISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

The Company is concluding agreements to provide the substantial capital required to distribute the film, *Happily Ever After.* The Company's principal capital and liquidity needs are a direct result of the motion picture distribution industry itself. With the assistance of its marketing agents, EMCI and Technovision, the Company is negotiating with a third party capital investment group to achieve financing for the distribution of the film *Happily Ever After*, and expects that all such financing negotiations will be concluded and secured during the fiscal period, which will end June 30, 1992. On April 10, 1992, the Company commenced a private placement offering of 700,000 shares of restricted common stock. The offering is being represented on an exclusive basis by R.B. Webster Investments of Lauderhill, Florida. R.B. Webster is a market maker for the Company'scommon stock, as listed on NASDAQ. The proceeds from the Company's private placement offering will assist in satisfying the Company's current debt, and will finance future operations. As the Company expects that it will conclude the negotiations for financing the distribution of *Happily Ever After* during the fiscal period ending June 30, 1992, management is now beginning to look forward to the next film acquisition for the Company's distribution. Management has identified several suitable projects, and as a potential method of financing these acquisitions and resulting distributions, management is analyzing the exercise of the Company's presently outstanding warrants as a means of financing the acquisition and distribution of such future projects.

In March 1992, the Company's Directors voted to extend the expiration date of its outstanding Class A and Class B Warrants until April 1, 1993. The Warrants are subject to further extension if deemed necessary by the Company. As a result of the Company's reverse stock split, effected February 6, 1992, as described in **"PART II - Item 2. Changes in Securities"**, the Company now has a total of 400,000 warrants issued and outstanding with an exercise price of $12.50 per warrant. The

Changes in Financial Condition

During the fiscal period ended March 31, 1992, there were no significant or material changes in the Company'soperations as reported in prior periods. The Company remained in the development stage. Cash and cash equivalents totalled $3,922 at June 30, 1991 (the Registrant's past fiscal year end) and $10,829 at March 31, 1992. The Company realized no revenues for the period and all revenues disclosed on the accompanying financial statements from prior periods, other than those generated from interest income, have been booked as deferred revenues and will not be recognized as revenues. i.e., booked as a cash asset of the Company's balance sheet, until release of the film *Happily Ever After.* Proper expenditures have been capitalized as part of the cost of film inventory.

Changes in Results of Operations

During the fiscal quarter ended March 31,1992, the Company continued its financing, contractual and organizational activities for the purposes of distributing the film *Happily Ever After*, the reduction of the Company's debt and capitalizing its ongoing administrative costs. No revenues were received by the Company during the fiscal quarter. The Company experienced a net loss of $432,563 as a result of its ongoing operations to secure financing for its film acquisition and distribution efforts, administrative expenses and the reduction of company debt. Until the Company begins to realize revenues from operations, the Company anticipates continuing operational losses. The Company is pursuing a significant financing plan to secure the long term viability of the Company, and while management feels such financing will be secured soon, the arrangements were not finalized by the end of the period. The financing plans being considered by the Company's management would consolidate the Company's present debt. Until such time as the Company secures a long term financing alternative or begins to generate revenues from operations, it will continue to rely on its principal shareholders for capital contributions, stock offerings, or the exercise of outstanding warrants to finance its operations.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

For a complete and current summary of all pending legal proceedings to which the Company is a party, see "Note 3" and "Note 4" to the "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" beginning on page 9 of the accompany "Financial Statements for the Period Ended March 31, 1992."

Item 2. Changes in Securities

On February 6, 1992, the Company effected a "50-into-1 reverse split" of its common stock and underlying warrants. The "reverse split" was a approved by a vote of the Company's shareholders under a proxy solicitation for the annual meeting. The results of the "reverse split" changed the Company's authorized treasury common stock shares from 500,000,000 to 10,000,000; and par value changed from $.0001 to $.005. The Company's issued and outstanding common stock shares as of March 31, 1992, is 4,868,138. As a result of the "reverse split," the Company's has 200,000 Class A Warrants, 200,000 Class B warrants, and 69,300 Class C Warrants issued and outstanding. All Warrants continue to be subject to the filing of registration statements for their respective exercise, and no such registration statements have presently been prepared or filed with the SEC. The Company also has 10,000,000 shares of preferred stock authorized. As no preferred shares have previously been optioned, registered or issued, the preferred share treasury authorization was not effected by the "reverse split."

Item 4. Submissions of Matters to a Vote of Security Holders

On February 5, 1992, at the annual meeting of the shareholders, and under the disclosures of a proxy solicitation for the purposes of the annual meeting, the following issues were voted upon and approved by the shareholders. Total shareholder representation at the meeting, either in person or by proxy, was the equivalent of 3,510,589 total issued and outstanding shares. All vote tabulations are restated to give effect to the "reverse split" approved at the meeting.

Vote #1: (Election of Directors): The first matter voted upon was the election of the Directors for the year. Milton Verret and Rick Busby were re-elected to another one year term as Directors. Michael Swingler was elected to a one year term as the third Director. The slate of Directors was approved by a vote representing 3,506,335 (YES); 0 (NO); 4,254 (ABSTAIN).

Vote #2: (Ratification of Independent Auditors): The second matter voted upon was the Ratification of the Company's Independent Auditors, Taylor & Company of Salt Lake City, Utah. Taylor & Company was ratified by a vote representing 3,506,747 (YES); 740 (NO); 2,302 (ABSTAIN).

Vote #3:(Reverse Split Consolidation of Common Stock): The third, and final, matter voted upon was a reverse split consolidation of the Company's common stock on a 50-into-1 basis. The shareholders approved the reverse split by a vote representing 3,488,056 (YES); 7,909 (NO); and 14,624 (ABSTAIN).

Item 5. Other Information

Hollywood Broadcasting Network: In March 1992, the Company signed a letter of intent with Hollywood Broadcasting Network, a subsidiary of Future Communications, Inc., for $3 million in television advertising time in exchange for unregistered securities in the Company. The Company intends to use the television advertising time to advertise the release of *Happily Ever After*, and to promote the retail sale of merchandising products from the film. At the close of fiscal period, the formal details of the agreement were still being discussed, and the Company expects a formal agreement to be concluded in the near future.

Entertainment Marketing and Communications International: In February 1992, the Company signed a long term formal agreement with EMCI, wherein EMCI will act as the exclusive agent for the Company in representing licensed merchandising, corporate sponsorships and promotional tie-ins on the Company's first three films. *Happily Ever After* is the first film to be represented by EMCI under the agreement. EMCI is presently assisting the Company in its negotiations with a major film distributor for the national release of *Happily Ever After, and with a third party capital investment group for the distribution financing required.* The Company expects to conclude the financing, theatrical and home video distribution agreements during the current fiscal period.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has caused this Report to be signed on its behalf by the undersigned duly authorized person, on this the 15th day of November, 1991.

1ST NATIONAL FILM CORP.

By: Milton Ver

Milton Verret, President and Chief Financial Officer

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Page 1 of 8

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

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For Quarter Ended March 31, 1992

Commission file number 0-14688

ALLEGHENY GENERATING COMPANY
(Exact name of registrant as specified in its charter)

Virginia
(State of Incorporation)

13-3079675
(I.R.S. Employer Identification No.)

12 East 49th Street, New York, New York 10017
Telephone number 212-752-2121

The registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

At May 14, 1992, 1,000 shares of the Common Stock ($1.00 par value) of the registrant were outstanding.

ALLEGHENY GENERATING COMPANY

Form 10-Q for Quarter Ended March 31, 1992

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ALLEGHENY GENERATING COMPANY
Statement of Income

	Three Months Ended March 31	
	1992	1991
	(Thousands of Dollars)	
ELECTRIC OPERATING REVENUES	$24 384	$25 947
OPERATING EXPENSES:		
Operation and maintenance expense	1 653	2 226
Depreciation	4 210	4 203
Taxes other than income taxes	1 128	1 183
Federal income taxes	3 765	3 913
Total Operating Expenses	10 756	11 525
Operating Income	13 628	14 422
OTHER INCOME AND DEDUCTIONS	2	1
Income Before Interest Charges	13 630	14 423
INTEREST CHARGES:		
Interest on long-term debt	5 675	6 247
Other interest	55	37
Total Interest Charges	5 730	6 284
NET INCOME	$ 7 900	$ 8 139

See accompanying notes to financial statements.

ALLEGHENY GENERATING COMPANY
Balance Sheet

	March 31 1992	December 31 1991
	(Thousands of Dollars)	
ASSETS		
Property, Plant, and Equipment:		
At original cost, including $3,314,000 and $1,351,000 under construction	$ 824 617	$822 332
Accumulated depreciation	(102 144)	(97 915)
	722 473	724 417
Current Assets:		
Cash	185	222
Accounts receivable, principally from parents	4 217	2 486
Materials and supplies - at average cost	2 101	2 159
Other	82	202
	6 585	5 069
Deferred Charges	12 725	12 737
Total Assets	$ 741 783	$742 223
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock - $1.00 par value per share, authorized 5,000 shares, outstanding 1,000 shares	$ 1	$ 1
Other paid-in capital	209 999	209 999
Retained earnings	32 507	34 593
	242 507	244 593
Long-Term Debt:		
Debentures, net	236 191	233 790
Commercial paper	61 059	65 712
	539 757	544 095
Current Liabilities:		
Accounts payable	25	247
Interest accrued	4 061	4 107
Taxes accrued	3 388	1 168
Other	800	524
	8 274	6 046
Deferred Credits:		
Unamortized investment credit	55 921	56 250
Deferred income taxes	137 831	135 832
	193 752	192 082
Total Capitalization and Liabilities	$ 741 783	$742 223

See accompanying notes to financial statements.

ALLEGHENY GENERATING COMPANY
Statement of Cash Flows

	Three Months Ended March 31	
	1992	1991
	(Thousands of Dollars)	
CASH FLOWS FROM OPERATIONS:		
Net income	$ 7 900	$ 8 139
Depreciation	4 210	4 203
Deferred investment credit and income taxes, net	1 670	1 709
Changes in certain current assets and liabilities:		
Accounts receivable, net	(1 731)	(1 932)
Materials and supplies	58	(40)
Accounts payable	(222)	71
Taxes accrued	2 220	1 838
Interest accrued	(46)	215
Other, net	465	439
	14 524	14 642
CASH FLOWS FROM INVESTING:		
Construction expenditures	(2 286)	(354)
CASH FLOWS FROM FINANCING:		
Issuance of long-term debt	2 364	-
Retirement of long-term debt	(4 653)	(3 823)
Cash dividends on common stock	(9 986)	(10 500)
	(12 275)	(14 323)
NET CHANGE IN CASH AND TEMPORARY CASH INVESTMENTS	(37)	(35)
Cash and Temporary Cash Investments at January 1	222	169
Cash and Temporary Cash Investments at March 31	$ 185	$ 134
Supplemental cash flow information:		
Cash paid during the quarter for:		
Interest (net of amount capitalized)	$ 5 735	$ 6 038
Income taxes	947	1 217

See accompanying notes to financial statements.

ALLEGHENY GENERATING COMPANY
Notes to Financial Statements

1. The Company's Notes to Financial Statements incorporated by reference in the Allegheny Power System companies' combined Annual Report on Form 10-K for the year ended December 31, 1991, should be read with the accompanying financial statements and the following notes.

2. The accompanying financial statements as of March 31 and for the periods then ended are unaudited. In the opinion of the Company, such financial statements together with these notes thereto contain all adjustments (which consist only of normal recurring adjustments) necessary to present fairly the Company's financial position as of March 31, 1992, and the results of operations and cash flows for the three months ended March 31, 1992 and 1991.

3. The Statement of Income reflects the results of past operations and is not intended as any representation as to future results. For purposes of the Balance Sheet and Statement of Cash Flows, temporary cash investments with original maturities of three months or less, generally in the form of repurchase agreements, are considered to be the equivalent of cash.

4. Common stock dividends per share declared and paid during the periods for which income statements are included are as follows:

	Three Months Ended March 31	
	1992	1991
Number of Shares.................	1,000	1,000
Amount per Share.................	$ 9,986	$10,500

Earnings per share are not reported inasmuch as the common stock of the Company is 100% owned by its parents, Monongahela Power Company (27%), The Potomac Edison Company (28%), and West Penn Power Company (45%).

ALLEGHENY GENERATING COMPANY

Management's Discussion and Analysis of Financial Condition and Results of Operations

COMPARISON OF FIRST QUARTER OF 1992 WITH FIRST QUARTER OF 1991

The changes in revenues, federal income taxes, and net income are due to a continuing reduction in the Company's net plant (the major component of rate base), and to the previously reported changes in the Company's allowed return on equity on its investment in the Bath County station, from 11.25% on March 1, 1990 to 11.53% on March 1, 1991.

The decrease in interest on long-term debt was due to a decrease in the average amount of and interest rates on long-term debt outstanding.

LIQUIDITY AND CAPITAL RESOURCES

The Company's discussion on Liquidity and Capital Resources and Results of Operations incorporated by reference under Item 7 of the Allegheny Power System companies' combined Annual Report on Form 10-K for the year ended December 31, 1991, should be read with the following information:

By order dated February 19, 1992, the Federal Energy Regulatory Commission ruled that a portion of the Company's revenues collected after February 29, 1992, are subject to refund depending on the outcome of the previously reported rate proceeding.

In March 1992, Standard and Poor's Corporation (S&P) and Fitch Investor Service, Inc. downgraded the Company's securities as a result of a regulatory decision for West Penn Power Company. The ratings by Moody's Investors Service remain unchanged. The revised ratings are summarized below:

	S&P	Fitch
Commercial paper	A-1	F-1
Debentures and Medium-Term Notes	A	

ALLEGHENY GENERATING COMPANY
Part II--Other Information to Form 10-Q for Quarter Ended March 31, 1992

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

1. (a) Date and Kind of Meeting:
The annual meeting of shareholders was held at New York, New York, on April 2, 1992. No proxies were solicited.

(b) Election of Directors:
The following were elected Directors at the annual meeting to hold office until the next annual meeting of shareholders and until their successors are duly chosen and qualified.

Klaus Bergman
* Charles B. Finch
Stanley I. Garnett, II
Kenneth M. Jones
Peter J. Skrgic

* Resigned effective May 1, 1992

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(b) No reports on Form 8-K were filed on behalf of the Company for the quarter ended March 31, 1992.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALLEGHENY GENERATING COMPANY

Thomas J. Kloc

Thomas J. Kloc
Comptroller
(Chief Accounting Officer)

May 14, 1992

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Period Ended March 31, 1992

___ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 0-131111

ANALYTICAL SURVEYS, INC.
(Exact name of registrant as specified in its Charter)

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Colorado	84-0846389
(State of incorporation)	(IRS Employer Identification No.)
1935 Jamboree Drive Colorado Springs, Colorado	80920
(Address of principal executive offices)	(Zip code)

(719) 593-0093
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such report) and (2) has been subject to such filing requirements for the past ninety (90) days.

Yes X No ____

The number of shares of common stock outstanding as of April 28, 1992 was 2,487,224.

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Part I Item 1.

ANALYTICAL SURVEYS, INC.
BALANCE SHEETS
(Unaudited)

	March 31, 1992	Sept. 30, 1991
ASSETS		
CURRENT ASSETS		
Cash	$ 198,437	$ 268,031
Accounts receivable, net of allowance for doubtful accounts of $30,000	1,061,590	1,486,034
Unbilled revenues	2,354,580	1,748,807
Prepaid expenses	119,806	113,004
Investment	11,250	22,500
Other	28,880	15,381
Total current assets	3,774,543	3,653,757
PROPERTY AND EQUIPMENT, at cost		
Equipment	4,789,592	4,793,009
Furniture and fixtures	532,080	526,229
Leasehold improvements	118,604	115,497
	5,440,276	5,434,735
Accumulated depreciation and amortization	(3,131,825)	(2,815,878)
	2,308,451	2,618,857
Software development costs, net	--	13,775
Goodwill, less accumulated amortization	19,410	20,219
Other Assets	9,643	--
TOTAL ASSETS	$ 6,112,047	$ 6,306,608

ANALYTICAL SURVEYS, INC.
BALANCE SHEETS
(Unaudited)

	March 31, 1992	Sept. 30, 1991
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable to bank (Note 2)	$ 289,829	$ 717,720
Current maturities of long-term debt	319,239	252,678
Billings in excess of costs	369,500	222,108
Accounts payable	779,597	859,990
Accrued payroll and benefits	265,706	232,975
Accrued income taxes	54,000	--
Accrued interest payable	4,314	16,469
Current portion of accrued rent expense	4,445	13,032
Total current liabilities	2,086,630	2,314,972
Deferred income tax	154,165	192,262
Accrued rent expense	9,207	7,779
Long-term debt, less current maturities	882,183	895,238
Deferred compensation	24,741	22,943
Total liabilities	3,156,926	3,433,194
STOCKHOLDERS' EQUITY		
Preferred stock-authorized 2,500,000 shares of no par value; no shares issued or outstanding	--	--
Common stock-authorized 100,000,000 shares of no par value; issued and outstanding 2,487,224 shares at March 31, 1992 and 2,485,424 shares at September 30, 1991	2,321,584	2,318,305
Retained earnings	633,537	555,109
Total stockholders' equity	2,955,121	2,873,414
TOTAL LIABILITIES AND EQUITY	$ 6,112,047	$ 6,306,608

ANALYTICAL SURVEYS, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Six Months Ended March 31,		Three Months Ended March 31,	
	1992	1991	1992	1991
SALES OF SERVICES	$ 3,892,496	$ 3,334,755	$ 2,080,059	$ 1,440,311
COSTS AND EXPENSES:				
Salaries, wages and benefits	1,837,931	1,569,847	944,353	747,331
Subcontractor costs	576,737	688,943	365,480	283,632
General and administrative	853,095	871,239	436,047	480,892
Depreciation and amortization	374,187	358,917	185,104	179,725
	3,641,950	3,488,946	1,930,984	1,691,580
EARNINGS (LOSS) FROM OPERATIONS	250,546	(154,191)	149,075	(251,269)
OTHER INCOME (EXPENSES)				
Interest (expense)	(125,034)	(132,914)	(62,009)	(58,126)
Reimbursement from vendor (Note 3)	--	336,105	--	336,105
Gain (loss) on marketable securities	(11,250)	(12,690)	(2,250)	--
Miscellaneous income (expense)	10,226	3,766	2,423	1,379
	(126,058)	194,267	(61,836)	279,358
EARNINGS BEFORE INCOME TAXES	124,488	40,076	87,239	28,089
INCOME TAX EXPENSE	46,060	14,828	32,279	10,393
NET EARNINGS	$ 78,428	$ 25,248	$ 54,960	$ 17,696
EARNINGS PER SHARE	$ 0.03	$ 0.01	$ 0.02	$ 0.01
Weighted average common shares outstanding	2,485,708	2,485,324	2,485,995	2,485,067

ANALYTICAL SURVEYS, INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended March 31, 1992	Six Months Ended March 31, 1991
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	$ 337,499	$ 626,271
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from note receivable	7,662	7,764
Proceeds from sale of equipment	64,000	--
Purchase of property and equipment	(107,649)	(44,979)
Net cash used in investing activities	(35,987)	(37,215)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (payments) under notes payable	(427,891)	(373,190)
Proceeds from issuance of long-term debt	205,247	--
Principal payments of long-term debt	(151,741)	(326,894)
Proceeds from issuance of common stock	3,279	--
Net cash provided (used) by financing activities	(371,106)	(700,084)
Net increase (decrease) in cash	(69,594)	(111,028)
Cash at beginning of period	268,031	249,533
Cash at end of the period	$ 198,437	$ 138,505
Supplemental cash flow disclosures:		
Interest paid	$ 137,189	$ 138,382
Income taxes paid	$ 30,157	$ --

ANALYTICAL SURVEYS, INC.
Notes to Financial Statements
March 31, 1992
(Unaudited)

1. Summary of Significant Accounting Policies

The accompanying interim financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual report for the year ended September 30, 1991. They have not been audited by independent auditors.

The financial statements reflect all adjustments which are, in the opinion of management, necessary to present fairly the financial position of Analytical Surveys, Inc., at March 31, 1992 and its results of operations for the six months ended March 31, 1992 and 1991, and its cash flows for the six months ended March 31, 1992 and 1991. All such adjustments are of a normal recurring nature.

2. Notes Payable to Bank

On April 3, 1992 the Company entered into an agreement with a bank for a $900,000 revolving line of credit bearing interest at 1.5% over prime rate, collateralized by assignment of accounts receivable and officer life insurance, due February 28, 1993. The initial proceeds from this loan were used to repay the balance owed the predecessor bank under the previous line of credit.

3. Other Income

During the three months ended March 31, 1991, the Company recognized a $336,105 gain on a settlement with an equipment vendor. The settlement was in the form of new equipment and equipment upgrades ($212,700), future maintenance services ($103,680) and forgiveness of accounts outstanding ($19,725).

4. Earnings Per Common Share

The computation of earnings per common share is based on the weighted average number of shares outstanding during the periods. The effect of common stock equivalents is not significant.

ANALYTICAL SURVEYS, INC.
Notes to Financial Statements
March 31, 1992
(Unaudited)

5. Stock Options

The following table summarizes stock option transactions under the Company's three non-qualified stock option plans, including options granted by the Company's Board of Directors on April 10, 1992:

	Shares under option	Average Option Price per share
Outstanding at September 30, 1991	370,075	$1.56
Exercised	(1,800)	1.82
Canceled	(1,400)	1.69
Outstanding at March 31, 1992	366,875	1.55
Granted April 10, 1992	158,600	2.71
Outstanding at April 28, 1992	525,475	$1.90
At April 28, 1992: Options Exercisable	288,907	$1.63
Available for grant	3,500	

Part I Item 2.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Six Months Ended March 31, 1992

Results of Operations:

Three Months Ended March 31, 1992

Net income for the three months ended March 31, 1992 of $54,960 was 210% higher than the $17,696 earned in the same period of 1991. Increased production volume caused sales to increase 44% or $639,750 and earnings from operations to increase $400,344 for the second quarter of fiscal year 1992 over the same period last year. Greater production volume was made possible by the Company's continued success in signing new customer contracts and the absence of delays similar to those encountered in the second quarter last year. Increasing market acceptance of the Company's digital orthophotography product line also contributed to the increased volume. Salaries and subcontractor costs increased over the same period last year as the result of the production volume increases.

The Company's order backlog was at a record $11,085,000 at the end of March, up 73% from $6,400,000 at March 31, 1991 and 44% from September 30, 1991. This continued growth in order backlog is attributed to the Company's strengthened and focused sales and marketing efforts.

Other income in the second quarter of 1991 included a nonrecurring settlement from an equipment vendor. The absence of a similar settlement in 1992 caused other income to be less than in 1991.

Three Months Ended March 31, 1991

ASI earned $17,696 in the three months ended March 31, 1991, a $171,831 improvement over the second quarter loss of 1990. As discussed in note 3 to the financial statements, other income includes a non-recurring reimbursement from one of the Company's vendors for some of the losses and extra expense incurred over the last two years due to reliability problems with a key piece of equipment. The $336,105 reimbursement consisted of new equipment, upgrades to existing equipment and prepaid maintenance services.

Sales for the three months ended March 31, 1991 were lower than for the same period of 1990 due to unexpected but temporary delays in starting new projects. The loss from operations in the quarter increased over the same period of 1990 as the consequence of the decreased sales. Costs and expenses decreased this year due to the closure of the two remote locations and to other cost and expense reduction efforts. These cost and expense decreases offset most of the decline in sales.

Interest expense decreased $31,304 compared to 1990 due to reduced use of the open line of credit and reductions in long term debt through scheduled payments.

Six Months Ended March 31, 1992

Net income for the six months ended March 31, 1992 also increased 210% over the same period last year. Sales increased 17% or $557,741 and Earnings from Operations increased $404,737 for the first six months of 1992 over the same period last year. The improvements in operations during this period were the result of the better performance in the second quarter as discussed above. Salaries and wages are higher than last year as the result of the increased production volume. Reduced subcontractor costs reflect the normal fluctuations in the progress stages of the current projects.

Six Months Ended March 31, 1991

The Company earned $25,248 in the six months ended March 31, 1991, an improvement of $228,418 over the same period of 1990. The results of operations for the six months were favorably affected by the reimbursement received from a vendor as described in the discussion of the second quarter of 1991 above.

The Loss from operations in the six months was slightly greater than 1990 as sales decreases were mostly offset by decreased costs and expenses as described in the discussion of the three months ended March 31, 1991 above. Interest expense decreased $49,701 compared to last year due to decreased line of credit borrowings and scheduled debt retirements. Other income(expense) also reflects a $12,690 writedown of marketable securities to market value at December 31, 1990.

Liquidity and Capital Resources:

Cash flow provided by operations in the six months ended March 31, 1992 decreased $288,772 from the same six months of last year as increased production led to an expected increased investment in unbilled revenues. Investing activities required only moderate cash outflow as the Company's purchase of new equipment this year was partially offset by proceeds from the sale of previously owned equipment. Cash flows from financing activities include the net proceeds of the refinancing of the FBS term debt with Phoenix Growth Capital as discussed below. Cash generated from operations and the net proceeds of the refinancing were used to reduce the Company's borrowing under the revolving line of credit.

On April 3, 1992 ASI signed a $900,000 revolving line of credit agreement with Affiliated National Bank of Colorado Springs. The initial proceeds of this loan were used to pay the balance owed to FBS Business Credit under the previous line of credit. This repayment, together with the refinancing of the term notes discussed below, ends ASI's relationship with FBS.

In October 1991, the Company refinanced the term notes payable to FBS Business Credit with Phoenix Growth Capital. The refinancing was structured as a sale-leaseback; however, the Company is obligated to repurchase all of the equipment at the end of the 42 month lease term, therefore the arrangement has been treated as a financing transaction.

The Company has not committed to purchase significant capital equipment at March 31, 1992.

Part II Other Information

Item 4. Submission of Matters to a Vote of Security Holders

(a) Three matters were voted upon at the Annual Meeting of Shareholders on February 18, 1992.

(b) All nominees for director listed in the Company's proxy statement were elected; there was no solicitation in opposition to management's nominees. The following directors were re-elected to serve for one year or until the next election of directors:

John A. Thorpe
James R. Hodge
William H. Hudson
Richard P. MacLeod
James T. Rothe

(c) Other matters voted upon included

The selection of KPMG Peat Marwick as independent auditors was ratified and

the ASI 1990 Non-Qualified Stock Option Plan was ratified by the following vote:

For	1,946,825
Against	79,112
Abstain	45,820

Item 5. Other Information

On April 30, 1992, the Company issued a press release announcing its results of operations for the six months ended March 31, 1992. A copy of the press release is attached as an exhibit.

Item 6. Exhibits and Reports on Form 8-K

11. Statement of Earnings Per Share (attached)

28. Press release dated April 30, 1992 (attached)

Form 8-K, Item 5, Other Events dated February 19, 1992
Announcement of new contracts with Florida Power and Light and
Greenwood County, South Carolina.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Analytical Surveys, Inc.
(Registrant)

Date May 5, 1992

S Corder
Sidney V. Corder, President

Date May 5, 1992

Scott C Benger
Scott C. Benger, Secretary/Treasurer

Analytical Surveys, Inc.
Earnings Per Share
March 31, 1992

	Six Months ended March 31,		Three Months ended March 31,	
	1992	1991	1992	1991
Net Income	$78,428	$25,248	$54,960	$17,696
Average Outstanding:				
Common Shares	2,485,708	2,485,324	2,485,995	2,485,324
Common Stock Equivalents				
Stock options	100,367	26,735	126,259	39,032
Total - primary	2,586,075	2,512,059	2,612,254	2,524,356
Other potentially dilutive securities	0	0	0	0
Total - fully diluted	2,586,075	2,512,059	2,612,254	2,524,356
Earnings per common and common equivalent share	$0.03	$0.01	$0.02	$0.01
Earnings per common share - assuming full dilution	$0.03	$0.01	$0.02	$0.01

Note: Earnings per common and common equivalent share are computed using the "treasury stock method" described in Accounting Principles Board Opinion No. 15. The effect of common stock equivalents is less than 3%.

Common stock equivalents include stock options which are eligible for exercise and have an exercise price which is less than the average asked price quoted on the NASDAQ system.

1221 Nicollet Mall
Suite 320
Minneapolis, MN 55403

612-333-6621

Edwin Neuger & Associates
Public Relations

NEWS RELEASE

FOR: **ANALYTICAL SURVEYS, INC.**
1935 Jamboree Drive, Suite 100
Colorado Springs, CO 80920

FOR IMMEDIATE RELEASE

CONTACT: (612) 333-6621 Edwin Neuger or Dave Neuger
(Home) 929-0945 (Home) 699-6730

ANALYTICAL SURVEYS, INC. ANNOUNCES SECOND QUARTER SALES AND EARNINGS INCREASES

High-Tech Mapping Company Also Announces New Bank Financing

COLORADO SPRINGS, COLO. -- (4/30/92) Analytical Surveys, Inc. today announced a 17 percent increase in sales to $3,892,496 for the six months ended March 31, 1992. This compares with sales of $3,334,755 for the same period a year ago. Net earnings for the same period increased 210 percent to $78,428, or $.03 per share, compared with net earnings of $25,248, or $.01 per share, for the first six months of last year.

The company reported sales of $2,080,059 for the second quarter ended March 31, 1992, compared to sales of $1,440,311 for the second quarter a year ago. Net income for the second quarter was $54,960, or $.02 per share, compared with $17,696, or $.01 per share, for the same quarter last year.

Analytical Surveys Vice President of Finance Scott Benger said, "We are pleased that earnings from operations for the

- more -

second quarter this year were $149,075, an increase of more than $400,000 on a sales increase of just under $640,000." He said Analytical Surveys' backlog remains at record levels of $11 million. "We have been successful at increasing sales and earnings in the second quarter and we remain committed to controlled growth as fiscal 1992 continues."

In related news, Benger also announced the establishment of a $900,000 revolving line of credit with Affiliated National Bank of Colorado Springs. This new line of credit replaces Analytical Surveys' former credit arrangement with FBS Business Credit, according to Benger.

Additionally, Analytical Surveys announced arrangements with U.S. Bancorp for $337,000 in equipment financing which will be used to acquire new equipment to increase production and improve operational efficiency. "The new financing arrangements we have established will help ensure that we achieve our objectives," Benger commented.

Analytical Surveys, Inc. is a professional services company providing digital mapping and Geographic Information Systems (GIS) database services. The company is an industry leader in innovative technological advances and productivity. Its clients include cities, counties, utility companies and others making use of the emerging technologies related to digital mapping.

- more -

Analytical Surveys, Inc.

STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
Sales of Services	$2,080,059	$1,440,311	$3,892,496	$3,334,755
Costs and expenses:				
Salaries, wages and benefits	944,353	747,331	1,837,931	1,569,847
Subcontractor costs	365,480	283,632	576,737	688,943
General and administrative	436,047	480,892	853,095	871,239
Depreciation and amortization	185,104	179,725	374,187	358,917
	1,930,984	1,691,580	3,641,950	3,488,946
Earnings (loss) from operations	149,075	(251,269)	250,546	(154,191)
Other income (expenses)				
Interest income (expense)	(62,009)	(58,126)	(125,034)	(132,914)
Reimbursement from vendor	--	336,105	--	336,105
Gain (loss) on marketable securities	(2,250)	--	(11,250)	(12,690)
Miscellaneous income	2,423	1,379	10,226	3,766
	(61,836)	279,358	(126,058)	194,267
Earnings before income taxes	87,239	28,089	124,488	40,076
Income tax expense	32,279	10,393	46,060	14,828
Net earnings	$ 54,960	$ 17,696	$ 78,428	$ 25,248
Earnings per share	$ 0.02	$ 0.01	$ 0.03	$ 0.01
Weighted average common shares outstanding	2,485,995	2,485,324	2,485,708	2,485,324

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992 Commission File Number 0-6028

THE ANSONIA DERBY WATER COMPANY
(Exact name of registrant as specified in its charter)

CONNECTICUT
(State of other jurisdiction of incorporation or organization)

06-0878647
(I.R.S. Employer Identification No.)

230 Beaver Street, Ansonia, Connecticut
(Address of principal executive office

06401
(Zip Code)

(Registrant's telephone number including area code)
(203) 735-1888

NONE
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports; and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 13 1992
Common stock, no par value	374,584

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ITEM I. FINANCIAL STATEMENTS

THE ANSONIA DERBY WATER COMPANY
BALANCE SHEET (Note A)

	March 31, 1992	Dec 31, 1991	March 31, 1991
ASSETS:			
Utility Plant:			
Plant, property and equipment	$14,247,677	$14,158,625	$13,565,748
Less, Accumulated depreciation	3,999,554	3,917,055	3,749,519
	10,248,123	10,241,570	9,816,229
Current Assets:			
Cash	80,087	88,706	113,337
Accounts receivable, net of allowance for doubtful accounts	821,570	840,034	820,269
Materials and supplies	51,417	68,511	57,484
Prepayments (Note C)	71,354	76,655	97,979
Accrued utility revenue	294,897	319,611	300,375
Total Current Assets	1,319,325	1,393,517	1,389,444
Deferred Charges:			
Other (Note D)	223,850	221,076	116,526
Unamortized debt expense	217,353	221,309	61,806
Deferred regulatory expense	87,836	66,209	70,280
Deferred charges-land dispositions (Note E)	515,841	489,015	499,419
	1,044,880	997,609	748,031
Total Assets	$12,612,328	$12,632,696	$11,953,704
STOCKHOLDERS' EQUITY AND LIABILITIES:			
Stockholders' Equity:			
Common Stock, no par value, authorized 600,000 shares, issued 374,647 shares	$ 2,155,394	$ 2,155,394	$ 2,155,394
Retained earnings (Note F)	974,850	1,028,489	1,037,338
	3,130,244	3,183,883	3,192,732
Less, Treasury Stock, at cost	598	598	598
Total Stockholders' Equity	3,129,646	3,183,285	3,192,134
Long Term Debt:			
Long Term Debt (Note G)	$ 4,706,570	$ 4,706,570	$ 2,062,804
Current Liabilities:			
Notes payable and current maturities (Note H)	540,000	350,000	2,528,902
Accounts payable and accruals	321,808	452,913	320,711
Taxes Payable Currently	121,916	95,792	109,501
Total Current Liabilities	983,724	898,705	2,959,114
Deferred Gains on Land Disposition (Note I)	747,334	790,471	919,882
Deferred Taxes	1,251,755	1,240,431	1,181,213
Advances and Contributions for Construction	1,793,299	1,813,234	1,638,557
	3,792,388	3,844,136	3,739,652
Total Stockholders' Equity & Liabilities	$12,612,328	$12,632,696	$11,953,704

THE ANSONIA DERBY WATER COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS (NOTE A)
FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991

	3 MONTHS 1992	3 MONTHS 1991
Operating Revenue (Note B)	$ 863,450	$ 884,120
Operating Expenses:		
Operations and Maintenance	185,800	181,053
Purchased Water	146,887	142,392
Administrative and General	219,196	200,272
Depreciation	82,500	69,999
Taxes Other Than Income	142,372	140,813
Taxes on Income:		
Federal	11,325	26,696
State	250	6,198
Total Operating Expense	788,330	767,423
Utility Operating Income	75,120	116,697
Other Income:		
Miscellaneous Non-Operating Income	15,925	4,613
Interest Income	21,935	26,136
	112,980	147,446
Other Deductions	5,297	6,931
	107,683	140,515
Interest and Amortization of Debt Discount & Expense	122,051	111,970
	(14,368)	28,545
Amortization of Prior Years' Deferred Income on Land Dispositions	43,137	31,581
Net Income	28,769	60,126
Retained earnings, beginning	1,028,489	1,059,620
	1,057,258	1,119,746
Dividends paid	82,408	82,408
	974,850	1,037,338
Earnings per share (Note J)	$.08	$.16
Dividends per share	$.22	$.22

THE ANSONIA DERBY WATER COMPANY
STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 1992 AND 1991

	3 Months Ended 1992	3 Months Ended 1991
Cash Flows From Operating Activities:		
Net Income	$ 28,769	$ 60,126
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	100,635	118,292
Increases and decreases in assets and liabilities:		
Accounts receivable	43,178	(15,651)
Materials and supplies	17,094	3,378
Prepayments	5,301	(31,477)
Accounts payable and accrued expenses	(104,981)	44,475
Deferred charges	(65,406)	(31,100)
Deferred income taxes	11,324	4,664
Deferred income	(43,137)	(43,137)
Refund customer advance	(19,935)	(1,245)
Total Adjustments	(55,927)	48,199
Net cash flows provided by (used in) Operating activities	(27,158)	108,325
Cash flows from investing activities:		
Net construction expenditures	(89,053)	(114,936)
Net Cash flows used in investing activities	(89,053)	(114,936)
Cash flows from financing activities:		
Net Increase (decrease) in short-term debt	190,000	11,130
Dividends paid	(82,408)	(82,408)
Principal payments on long-term debt	0	(9,209)
Net cash flows provided by (used in) financing activities:	107,592	(80,487)
Net increase (decrease) in cash	(8,619)	(87,098)
Cash, beginning	88,706	200,435
Cash, end	$ 80,087	$ 113,337

Supplemental disclosure of cash flow information:		
Cash paid (received for)		
Interest	256,545	90,883
Income Taxes (Note C)	6,000	36,000

Supplemental disclosure of non-cash flow information:
The Company receives contributions of plant from builders and developers. These contributions of plant are reported in utility plant and in customers' advances for construction. The contributions are deducted from construction expenditures to determine cash expenditures by the Company.

Gross plant additions	$ 89,053	$ 787,982
Customers' contributions	0	673,046
Net Capital expenditures	$ 89,053	$ 114,936

THE ANSONIA DERBY WATER COMPANY
NOTES TO FINANCIAL STATEMENTS

Note A.

Although the statements are prepared without audit, in the opinion of management, all material adjustments for a fair statement of results have been made.

Note B.

The Company's business of selling water is to a certain extent seasonal because water consumption normally increases during the drier and warmer summer months. Accordingly, the results of operations for the quarters ended March 31, 1992 and 1991 do not necessarily reflect results on an annualized basis.

Note C.

Prepayments consist of:

	Mar 31, 1992	Dec 31 1991	Mar 31 1991
State Corporation Tax *	$ 6,000	$	$ 36,000
Legal & Accounting fees	28,025	11,697	21,066
Insurance	19,674	45,073	21,906
Deposits on chem containers	4,050	3,990	4,575
Other Prepaid Expenses	13,605	15,895	14,432
	$ 71,354	$ 76,655	$ 97,979

*The $36,000 State Corporation tax represents the amount collected from a Customer's Advance for Construction specifically for the installment due on March 15, 1991 for the 1991 tax. The balance of the taxes due on this Advance was collected for a June 15, 1991 installment. The $6,000 represents the estimate for the March 15, 1992 payment on 1992 taxes.

Note D.

Other deferred charges consist of:

	Mar 31 1992	Dec 31 1991	Mar 31 1991
Deferred Tax on Advances	$137,458	$139,066	$ 27,464
Pension Expense	50,299	50,299	45,971
Water Supply Plan Expenses	11,827	14,363	21,965
Mapping Expenses	0	0	1,170
Other	24,266	17,348	19,956
	$223,850	$221,076	$116,526

NOTES TO FINANCIAL STATEMENTS (CONT'D.)

Water Supply Plan Expenses and Mapping Expenses - These costs are being amortized to expense over a five year period.

Tax on Advances - Under the Internal Revenue Code, Contributions In Aid of Construction are considered taxable income with the tax payable by the Company. The Connecticut Department of Public Utility Control has issued instructions allowing the Company to collect the tax from the Contributor but which recognizes the tax savings that ownership of the contributed asset by the Company will create. The tax on these savings is therefore charged to the Company rather than the Contributor. The charge to the deferred account is offset by recognition of the current liability. (Taxes Currently Payable). The increases in these accounts in 1991 were attributable to a large Contribution in Aid of Construction of $1,044,575, with the Company's tax portion of $78,598. This amount is amortizable and the unamortized balance is included in the Company's assets for rate making purposes.

Note E.

Land Disposition Expenses - Costs incurred in connection with the Company's efforts to sell its surplus land consist primarily of legal, appraisal and survey fees. It is the Company's intention to apply these costs against the gross proceeds received from land dispositions as they are consummated.

Additional costs of $26,775 were incurred during the first three months of 1992 while in 1991 for the same three months, the additional costs were $31,100.

Note F.

Dividends - Under the provisions of the Company's Amended and Restated Mortgage Bond Indenture, at March 31, 1992, after payment of the cash dividend on that date, there was available $132,504 of unrestricted retained earnings for payment of future cash dividends or for the future reacquisition of the Company's common stock.

NOTES TO FINANCIAL STATEMENTS (CONT'D.)

Note G.

Long Term Debt

	March 31 1992	Dec 31 1991	March 31 1991
First mortgage bonds:			
Series B, 9.5%, due October 1994	$ -0-	$ -0-	$1,260,000
Series C, 12%, due June 2012	-0-	-0-	277,666
Series D, 9.8%, due March 2015	-0-	-0-	570,400
Series E, 9.64% due September 2011	4,700,000	4,700,000	-0-
Term Note Due January 1992 *	-0-	-0-	1,100,000
Other	6,570	6,570	7,510
	4,706,570	4,706,570	3,215,576
Current Portion *	-	-	1,152,772
	$4,706,570	$4,706,570	$2,062,804

* (See Note H)

The terms of the Company's mortgage indenture under which its first mortgage bonds were issued and outstanding until August 13, 1991, provided among other things, for declining redemption premiums, annual sinking fund requirements of $52,772, and limitations on (a) payment of cash dividends; (b) incurrence of long-term and total indebtedness; and (c) use of land disposition proceeds.

The terms of the Company's unsecured term note, due in January 1992, required, among other things, mandatory prepayment if all or a portion of excess land, as defined, is sold or upon the issuance of stock, bonds or similar debt instruments. The mandatory prepayment was based on the lesser of the net proceeds of the event or the unpaid principal amount of the loans.

On August 13, 1991, the Company issued $4,700,000 principal amount of its Series E, 9.64% First Mortgage Bonds, due September 1, 2011. The Series E Bonds were issued under an Amended and Restated Mortgage Indenture, which significantly amends and restates many of the provisions of the Company's Mortgage Indenture (the "Original Indenture") under which its prior mortgage bonds (Series B, C and D) were issued. The proceeds of the Series E Bonds were used to (a) redeem all of the prior outstanding mortgage bonds, (b) repay all of the Company's other outstanding indebtedness for borrowed funds, and (c) pay the expenses of the transaction.

NOTES TO FINANCIAL STATEMENTS (CONT'D.)

The Amended and Restated Mortgage Indenture's restrictions on the payment of dividends on and reacquisition of its capital stock are less onerous than those contained in the Original Indenture.

The Amended and Restated Mortgage Indenture also contains provisions for annual sinking fund payments of $94,000 beginning on September 1, 1997, prohibition of a voluntary redemption prior to September 2, 2001, declining voluntary redemption premiums thereafter, and limitations on the incurrence of future bonded indebtedness.

Note H.

Line of Credit - The Company entered into a new revolving bank line of credit effective September 18, 1991. The new line maximum is $2,000,000 of which no more than $250,000 can be used for Working Capital. In the event of a land sale, the proceeds must be used to reduce the balance of the line. The balance of the new line of credit at March 31, 1992 was $540,000, of which $40,000 has been applied against the working capital limit.

The Company's Amended and Restated Mortgage Indenture does not restrict additional borrowings of any kind except for bond issues.

The Notes Payable and Current Maturities consist of the following elements:

	March 31 1992	Dec 31 1991	March 31 1991
Line of Credit	$540,000	$350,000	$1,376,130
Term Note Due 1992			1,100,000
Current Maturities of Other Long Term Debt	-	-	52,772
	$540,000	$350,000	$2,528,902

NOTES TO FINANCIAL STATEMENTS (CONT'D.)

Note I.

Land Dispositions and Amortization of Income on Land Dispositions of prior years

The DPUC has prescribed a rate making procedure for the accounting for income from land dispositions which has the effect of sharing the economic benefits between rate payers and shareholders over a period of time. Accordingly, the Company includes in its income in years in which it has a land disposition only a portion of the income that was realized from such dispositions. (There were no land sales or disposition in 1991, nor have there been any to date in 1992). The balance of the income is deferred and amortized to the Company's rate base and equity for rate making purposes, and to income for financial reporting purposes, over the period of time during which the ratemaking procedure is in effect. For the quarter ended March 31, 1992, $43,137 (net of income taxes) was included in income and $31,581 (net of income taxes and merger expenses) was included for the same period of 1991.

Note J.

Earnings per share - The Company has only one class of stock outstanding; earnings per share are computed by dividing the outstanding shares of common stock (374,584) into the earnings for all periods presented.

Note K

Rate Matters - In November, 1991, the Company filed an application with the Connecticut Department of Public Utility Control designed to increase water service revenue by $603,000. The Company subsequently revised its request downward seeking only $540,000 of increased annual revenues, or 14.8% over existing rates. A decision was handed down granting The Company additional revenues of $427,000 or an increase of 11.77% effective April 15, 1992. These general rates will be in place until April 1, 1995, but the Company has the ability to file for revenue increases on April 1, 1993 and 1994 for additional expenses over which the Company can exercise little or no control.

ITEM II

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

RESULTS OF OPERATIONS

Operating Revenues

For the three months ended March 31, 1992, operating revenues decreased by $20,670 from the same period of 1991. The decreases which occurred in billings to commercial and industrial customers accounted for over 70% of the total decrease. The Company believes the decreased water use in the commercial and industrial sectors reflects a depressed local and regional economy.

Utility Operating Income

The Company's Utility Operating Income was $75,120 for the first three months of 1992 as compared to $116,697 for the same period in 1991. There were increases in all categories of Operating Expenses except for Taxes on Income. A general wage increase to the Company's employees which overall amounted to 5%, an increase in the price of purchased water, increased depreciation charges, and higher rates for employee health insurance were the major factors contributing to the $20,907 net increase in Operating Expense. This increase together with the decreased revenues, caused the $41,577 decrease in Utility Operating Income.

Taxes

As a result of reduced pre-tax income and a reduction in the Connecticut Corporation Tax rate, Taxes on Income at March 31, 1992 were $21,289 lower than they were on March 31, 1991.

In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" which changed the method of accounting for income taxes. Upon adoption, which is required for years beginning after December 15, 1992, the most significant impact on the Company will be a reduction in previously provided deferred taxes which will reflect the reduction in the corporate income tax rate. The Company will not be permitted to recognize the effects of this change as income in the year of adoption, but will be required to return any benefit from the reduction in deferred taxes to ratepayers over the remaining lives of utility plant assets.

Interest Income

Interest income decreased by $4,201 from the quarter ended March 31, 1991 compared to the same quarter of 1992. The largest segment of interest income is derived from the land disposition of December 1990. In 1991, because the disposition occurred in late 1990, 102 days of interest income was recognized during the March 31 quarter while in 1992 a normal 91 day period was used for the calculation. In addition, the less favorable operating results caused a reduction in the Company's cash investments for the first quarter of 1992 when compared to the like period of 1991, which further decreased interest income.

Miscellaneous Non-Operating Income

The increase of $11,312 reflects the recognition of a management fee earned as it became available rather than on a semi-annual basis.

Interest Expense

The average interest bearing debt was $4,564,359 and $5,151,750 during the quarters ended March 31, 1991 and 1992, respectively. As a result, despite the fact that average interest rates decreased from 9.80% to 9.48%, interest expense rose from $111,970 to $122,051 during the March 31, 1991 and 1992 quarters, respectively.

FINANCIAL CONDITION

Total stockholders' equity decreased during the first three months of 1992 from $3,183,285 to $3,129,646 or $.14 per share after a dividend payment of $.22 per share.

The Company projected in mid 1991 that it might need to utilize its line of credit for operational needs in early 1992. That projection was accurate. As a result, in order to return to being able to generate sufficient funds internally to meet its day to day operational needs, the Company filed an application with the Connecticut Department of Utility Control (DPUC) in November 1991 for a general rate increase.

The DPUC has granted new rates effective April 15, 1992, which will increase overall annual revenues by approximately $427,000 or 11.77%. These general rates will be in effect until April 1, 1995, but if certain expenses increase, the Company will be allowed to seek additional rate relief to be effective April 1, 1993 and April 1, 1994.

The Company now projects that it will be able to meet its operational needs within a short time as a result of the rate increase. It will not, however, be able to generate sufficient funds from sales of water to satisfy all of its construction plans.

With the abandonment of four reservoirs in 1988, which permits the sale of approximately 600 acres of land contiguous to those reservoirs, the Company believes that by selling excess lands it can generate sufficient equity capital to support its 10 year capital budget, currently estimated at $8,600,000. Such land dispositions are subject to approval by the DPUC.

In 1990, the Company received $173,028 from a developer to whom the Company assigned the right to obtain the necessary regulatory and environmental approvals to develop certain surplus acreage in Seymour, Connecticut and to pay the full purchase price to the Company by April 10, 1992. In late March 1992, the developer requested a six month extension until October 9, 1992. The Company has agreed to grant this request subject to approval by the DPUC. When the Company completes this transaction, it is expected to result in additional gross proceeds of approximately $1.4 million.

On August 13, 1991, the Company issued $4,700,000 principal amount of its 9.64% Series E First Mortgage Bonds, due September 1, 2011 (the "Series E Bonds"), the proceeds of which were used to (a) redeem all of the Company's previously issued and outstanding first mortgage bonds, (b) repay all of the Company's issued and outstanding indebtedness for borrowed funds, and (c) pay the expenses of the transaction.

The Series E Bonds were issued under an Amended and Restated Mortgage Indenture, which significantly amended the restrictions with respect to the issuance of additional indebtedness contained in the Company's then existing Mortgage Indenture (under which the Company's previously issued and outstanding first mortgage bonds had been issued) (the "Original Indenture").

Unlike the Original Indenture, the Amended and Restated Mortgage Indenture does not restrict the issuance of either long or short term unsecured debt, and the Company has entered into a new $2,000,000 line of credit, the details of which are set forth in Note H to the Financial Statements.

The 1992 Capital Budget is divided into two tiers, with the first tier of regular and mandated capital improvements estimated to be $355,000 and expected to be funded from internally generated funds. The second tier of the 1992 Capital Budget included $1,156,000 of Distribution System Improvements.

Through the use of the Company's $2,000,000 revolving line of credit, the Company expects to have sufficient cash availability to complete substantially all of the tier two projects in 1992, but does not intend to do so unless it has a reasonable expectation that land disposition proceeds will be available within a reasonably short period of time to repay the short term indebtedness incurred for the projects. The Company expects that the 1990 Seymour land disposition described above will produce after-tax proceeds available for investment in capital projects of approximately $760,000. With the first $400,000 of such proceeds expected to be used to repay the indebtedness incurred to fund the Quillinan Dam improvements completed in 1991, unless additional sources of long term capital become available, the Company expects that only approximately $360,000 of additional tier two projects will be completed in 1992.

The Company does not expect to consummate any new or additional land dispositions in 1992. The Company regularly explores the marketability of its excess land, but it does not currently have any specific dispositions of land targeted for 1992, other than the completion of the 1990 Seymour transaction described above.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings. Not applicable.

Item 2. Changes in Securities. Not applicable.

Item 3. Default Upon Senior Securities. Not applicable

Item 4. Submission of Matters to a Vote of Security Holders. Not applicable

Item 5. Other Information. Not applicable

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits - None.

(b) Form 8K - None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf of the undersigned, thereunto duly authorized.

THE ANSONIA DERBY WATER COMPANY
Registrant

Aldore J. Rivers, President

Dated: May 13, 1992

Leroy A. DeFrances, Treasurer

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STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission File Number 0-11968

COSMO COMMUNICATIONS CORPORATION
(Exact name of registrant as specified in its charter)

FLORIDA
(State or other jurisdiction of incorporation or organization)

59-2268005
(I.R.S. Employer Identification No.)

16501 N.W. 16th Court, Miami, Florida
(Address of principal executive offices)

33169
(zip code)

(305) 621-4227
(Registrant's telephone number including area code)

Not applicable
Former name, former address, and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) and has been subject to such filing requirements for the past 90 days.

Yes x No ______

5,060,00 shares of the issuer's Common Stock were outstanding as of the latest practicable date. May 14, 1992.

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COSMO COMMUNICATIONS CORPORATION

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PART I - FINANCIAL INFORMATION

Item I. Financial Statements

The registrant represents that the Consolidated Financial Statement furnished herein have been prepared in accordance with generally accepted accounting principal applied on a baris consistent with prior years and that such Consolidated Financial Statements reflect, in the opinion of the management of the Company, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position of the Company and its subsidiaries, as of March 31, 1992 and the result of their operations of the three months then ended.

COSMC COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

ASSETS

	March 31, 1992	December 31, 1991
CURRENT ASSETS		
Cash, including interest bearing deposits	$267,213	$555,000
Receivables-		
Trade, less allowance for doubtful accounts of $ 275,000 at December 31, 1991 and $214,903 at March 31, 1992	1,391,139	1,126,000
Inventories	2,927,273	3,231,000
Prepaid expenses and deposits	57,247	83,000
Total current assets	$4,642,872	$4,995,000
PROPERTY AND EQUIPMENT, at cost	$3,567,667	$3,424,000
Less-Accumulated depreciation	<1,807,949>	<1,595,000>
PROPERTY AND EQUIPMENT, NET	$1,759,718	$1,829,000
OTHER ASSETS	717,642	819,000
TOTAL	$7,120,232	$7,643,000

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

COSMO COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 1992	December 31, 1991
CURRENT LIABILITIES:		
Acccounts payable and acrrued expenses	$ 923,850	$ 1,292,000
Credit facilities	4,720,583	4,485,000
Due to principal shareholder	667,500	602,000
Other	0	78,000
Total current liabilities	$6,311,933	$6,457,000
LONG-TERM DEBT	565,782	570,000
Total liabilities	$6,877,714	$7,027,000
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Common Stock, $.01 per value, 10,000,000 Share authorized, 5,060,000 shares issued and outstanding at March 31, 1992 and December 31, 1991	$51,000	$51,000
Additional paid-in capital	23,877,000	23,877,000
Accumulated defecit	<21,667,221>	<21,242,000>
Cumulative transaction adjustment	<2,070,000>	<2,070,000>
TOTAL SHAREHOLDERS' EQUITY	$ 190,779	$ 616,000
	$7,120,232	$7,643,000

The accompanying notes to consolidated financial statements are an integral part of these Financial Statements.

COSMO COMMUNICATIONS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991

(Unaudited)

	Quarter ended March 31 1992	 1991
SALES	$2,046,180	$ 2,856,000
COST OF SALES	1,499,151	2,165,000
Gross margin	$ 547,029	$ 691,000
SELLING EXPENSES	$ 196,792	$ 383,000
GENERAL & ADMINISTRATIVE EXPENSES	618,954	657,000
Income/(Loss) from operations	$<268,717>	$ <349,000>
OTHER INCOME (EXPENSE):		
Interest expenses	$<112,309>	$< 206,000>
Interest income	7,147	23,000
Income/(Loss) on Currency Transactions	<38,213>	0
Other, net	< 13,128>	< 10,000>
	$<156,504>	$< 193,000>
Net Income/(Loss)	$<425,221>	$< 542,000>
INCOME/(LOSS) PER SHARE	$< 0.08>	$< 0.11>
SHARES OUTSTANDING (AVERAGE):	5,060,000	5,060,000

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Quarter Ended March 31, 1992
Cash Flows from Operating Activities:	
Loss before extraordinary item	
Extraordinary item	
NET LOSS	$ <425,000>
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation & Amortization	56,000
(Gain) loss on sale or disposal of property and equipment	
(Gain) loss on foreign currency transactions	
Decrease in accounts receivable, net	265,000
Decrease in inventories and prepaid expenses	<329,000>
Increase (Decrease) in accounts payable, accrued expenses and other current liabilities	<145,000>
Other, net	
Net cash provided by operating activities	578,000
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property & equipment	
Proceeds from sale of property & equipment	0
Net Cash used by Investing Activities:	0
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net increase in credit facilities and long-term debt repayments	235,000
Net increase in due to to principal stockholder	66,000
Net cash used by financing activities	301,000
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	45,000
Decrease in cash and cash equivalents	<287,787>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	555,000
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	267,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid during the year for interest	119,000

See notes to consolidated financial statements.

COSMO COMMUNICATIONS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1992

(Unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES:

The accompanying policies followed by quarterly financial reporting are the same as those disclosed in Note 1 of the Notes to Consolidated Financial Statements included in the Company's 10K Report for the Fiscal Year ended December 31, 1991.

2. INVENTORIES:

Inventories as stated at the lowest cost (first-in, first-out) or market Inventory at March 31, 1992 and December 31, 1991 consisted of the following:

	March 31, 1992	December 31, 1991
Raw materials	$167,000	$167,000
Work-in-process	0	0
Finished goods	2,760,273	3,064,000
TOTAL	$2,927,273	$3,231,000

3. EARNINGS PER SHARE:

Primary earning per common and common equivalent share for 1992 and 1991 were computed based upon the weighted average number of common and common equivalent shares outstanding during the period.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management's discussion and analysis of certain significant factors which have affected the Company's financial condition and results of operation during the period included in the accompanying consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Working capital was approximately ($1,669,000) at March 31, 1992, a decrease of approximately $207,000 from December 31, 1991. The ratio of current assets to current liabilities at March 31, 1992, was .7 to 1 as compared to .8 to 1 at December 31, 1991. The decrease in current assets is primarily the result of the losses incurred during first quarter of 1992. The Company has met its working capital requirements primarily from internally generated funds and secondarily from short-term borrowing and certain limited financing provided by the Company's principal shareholder.

During 1989, the Company secured a two-year revolving credit facility with Congress Financial Corporation of up to a maximum of $14 million expiring on October 30, 1991, to replace a similar previously existing domestic credit arrangement. This credit facility is secured by all assets of the Company including a second mortgage on the Company's headquarters in the United States. Regardless of the maximum credit facility of $14,000,000, borrowings were tied by formula to eligible accounts receivable and inventories. Interest is charged on outstanding borrowings at prime (6.5% at December 31, 1991) plus 3-1/2%. At March 31, 1992 and 1991, borrowings outstanding under domestic credit facilities amount to $4,108,000 and $5,686,000 respectively.

The revolving credit facility with Congress Financial Corporation contains certain restrictive covenants. The most restrictive covenants relate to minimum net worth and working capital requirements. These covenants have not been met; however, the lender has waived all of its rights to demand payment with respect to these covenants through December 31, 1992. The Company is not expected to meet these covenants on December 31, 1992. Such credit facility is classified as a current liability.

Subsequent to year end 1990, the terms of the revolving credit facility with Congress Financial Corporation were modified as follows: maximum borrowings were reduced to a maximum of $7,500,000 subject to a borrowing formula based on eligible accounts receivable and inventories; interest charged on outstanding borrowings at prime plus 3.5% and the expiration date of the credit facility was extended to December 1992.

The Company utilizes an overseas overdraft and trade financing credit facility. Maximum borrowings under this facility are approximately $500,000 to cover bank overdrafts and $500,000 for trade financing (letters of credit). Interest on borrowings range from the local prime rate (9% at December 31, 1991) to 1-1/2% over the local prime rate. The facility is secured by short term bank deposits of approximately $510,000. At March 31, 1992 and 1991, total borrowings under the facility amounted to approximately $440,000 and $771,000 respectively.

Management believes its plans for 1992 and beyond, together with its capital base and the support from the principal stockholder, will provide the financial resources to continue its operations and return to profitability, although operating losses may result in the short term.

FINANCIAL DIFFICULTIES AND MANAGEMENT PLANS

The Company has incurred significant losses during the last seven fiscal years. The Company's shareholder's equity at December 31, 1991 was $616,000. During 1990 and 1991 the Company implemented certain steps to reduce or eliminate its continuing losses. These steps were effective in reducing losses. These steps included the reduction of overhead, including significant reductions of personnel and the elimination of most of its inventory of electronic products other than time products (clocks and clock radios).

The Company has fully implemented these steps and it hopes that these steps will eliminate the losses that the Company has experienced in the last seven years. However, the ability of the Company to reverse these losses will depend on a number of factors which it cannot control. These include the ultimate success of the steps that were implemented, the achievement of a stronger demand for the Company's time products both domestically and internationally, regaining its prior market position with certain key customers, the recovery of the retail market in the United States for the Company's products, the ability of management to accurately predict future consumer trends for time products, and the ability of the Company to finance the implementation of these steps and any growth that these steps may generate.

Management of the Company belives that its current working capital, its limited stockholders equity, a commitment by the principal shareholder to advance certain funds at his discretion and its exisiting credit facilities should be sufficient to finance the Company during its 1992 fiscal year. However, if the economy and the retail environment in the United States and Canada do not recover in 1992 or if the Company is unable to reverse these losses for any reason or fails to maintain adequate financing for its operations, the Company will find it difficult to operate.

Management recognizes that it cannot predict with accuracy if and when the Company will be able to eliminate its losses and return to profitability. The steps that the Company has implemented will continue throughout 1992. The Company anticipates at the present time a break-even or small profit in 1992. However, depending on economic and other factors, this estimate may change.

SALES

Sales for the first quarter of 1992 decreased by $809,820 compared to the corresponding period in 1991. Sales decreased primarily because of an over-all weak market and demand for the products of the Company and the Company's decision to eliminate most of its electronics products (other than time products).

COST OF SALES AND GROSS MARGIN

Gross margin as percentage of sales increased by 3% in the first quarter of 1992 compared to the same period in 1991, due to the Company's decision to emphasize the sale of time products at higher margins.

OPERATING EXPENSES

Operating expenses for the first quarter of 1992 decreased $224,000 as compared to the corresponding period in 1991, mainly due to lower sales and the impact of cost cutting measures implemented by management.

INTEREST AND OTHER COSTS

Interest expenses decreased by $94,000 in the first quarter of 1992 as compared to the corresponding period in 1991, mainly due to lower interest rates and a reduction in the outstanding loans to financial institutions.

NET INCOME AND LOSS

Net loss for the quarter ending March 31, 1992 was $425,221 compared to a net loss of $542,000 for the same quarter in 1991.

SIGNATURE

Pursuant to the requirements to the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned - thereunto duly authorized.

COSMO COMMUNICATIONS CORPORATION

Date: May 14, 1992

/s/ Amancio V. Suarez
Amancio V. Suarez
Chairman of the Board

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 4, 1992

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to ____________________

Commission File Number: 0-9188

DAHLBERG, INC.
(Exact name of registrant as specified in its charter)

Minnesota (State of other jurisdiction incorporation or organization)	41-0952205 (I.R.S. Employer Identification No.)

4101 Dahlberg Drive
Golden Valley, Minnesota 5542.

Registrant's telephone number, including area code: 612/520-9500

____
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days
Yes X No____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the latest practicable date.

Class	Outstanding at April 24, 1992
Common Stock, $.10 per share	5,917,488 shares

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DAHLBERG, INC.

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Part I. Financial Information

DAHLBERG, INC.

CONSOLIDATED BALANCE SHEETS
(dollar and share amounts in thousands except per share data)

Assets

	April 4, 1992 (Unaudited)	December 28, 1991
Current assets:		
Cash and cash equivalents	$ 8,643	$ 7,569
Accounts and notes receivable, net	7,689	6,048
Inventories		
Raw materials	3,232	3,987
Work in process	356	254
Finished goods	1,250	1,325
	4,838	5,566
Deferred income taxes	2,062	2,062
Prepaid expenses and deposits	1,885	1,705
Total current assets	25,117	22,950
Noncurrent portion of notes receivable, net	807	657
Property, plant and equipment, net	16,500	16,799
Other assets, net	1,382	1,442
Total assets	$43,806	$41,848

Liabilities and Stockholders' Equity

	April 4, 1992 (Unaudited)	December 28, 1991
Current liabilities:		
Current maturities of long-term debt	$ 294	$ 304
Accounts payable	2,772	2,738
Dividends payable	355	--
Accrued salaries and wages	496	910
Accrued product warranty expense	2,738	2,714
Accrued interest	309	297
Accrued income taxes	616	124
Other accrued expenses	4,107	3,342
Total current liabilities	11,687	10,429
Deferred maintenance agreements	369	350
Deferred income taxes	731	731
Long-term debt, excluding current maturities	1,454	1,540
Accrued retirement benefits and deferred compensation	1,194	1,113
Accrued product warranty expense	925	918
Total liabilities	16,360	15,081
Stockholders' equity:		
Common stock of $.10 par value. Authorized 20,000 shares; issued 5,917 and 5,902 at April 4, 1992 and December 28, 1991, respectively	592	590
Additional paid-in capital	13,465	13,400
Retained earnings	14,881	14,317
Equity adjustment from foreign currency translation	48	62
Debt guarantee of ESOP	(1,540)	(1,602)
Total stockholders' equity	27,446	26,767
Total liabilities and stockholders' equity	$43,806	$41,848

See accompanying notes to consolidated financial statements.

DAHLBERG, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(dollar and share amounts in thousands except per share data)
(Unaudited)

	Three Months Ended	
	April 4, 1992	March 30, 1991
Revenue	$25,510	$22,560
Cost of sales	13,167	10,850
Gross profit	12,343	11,710
Selling, general and administrative expense	10,858	10,596
Earnings from operations	1,485	1,114
Other income (expense):		
Interest and dividend income	183	139
Interest expense	(52)	(86)
Other, net	(32)	22
Total other income	99	75
Earnings before income taxes	1,584	1,189
Provision for income taxes	665	508
Net earnings	$ 919	$ 681
Net earnings per common and common equivalent share	$ .15	$ .12
Weighted average common and common equivalent shares outstanding	6,267	5,868
Dividends declared per share	$ .06	$ .04

See accompanying notes to consolidated financial statements.

DAHLBERG, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollar amounts in thousands)
(Unaudited)

	Three Months Ended	
	April 4, 1992	March 30, 1991
Cash flow from operating activities:		
Net earnings	$ 919	$ 681
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	715	518
Provision for losses on doubtful receivables	213	151
Loss on sale of assets	--	52
Change in assets and liabilities:		
Increase in trade accounts receivables	(1,773)	(1,836)
Decrease in inventories	728	185
(Increase) decrease in prepaid expenses and deposits	(180)	276
Increase in payables and accrued expenses	428	2,361
Increase in income taxes payable	492	93
Increase in accrued retirement benefits and deferred compensation	81	51
Increase in deferred maintenance contract revenue	19	150
Net cash provided by operating activities	1,642	2,682
Cash flow from investing activities:		
(Increase) decrease in cash held in escrow	--	928
Acquisition of property, plant and equipment	(417)	(3,480)
Increase in cash surrender value of life insurance	(6)	(5)
Increase in notes receivable	(98)	(46)
Acquisition of other assets	(66)	(106)
Net cash used by investing activities	(587)	(2,709)
Cash flow from financing activities:		
Decrease in construction in progress payable	--	(546)
Proceeds from exercise of stock options	69	19
Principal payments on long-term debt	(34)	(27)
Payment of fractional stock shares	(2)	(2)
Net cash provided (used) by financing activities	33	(556)
Effect of exchange rates on cash	(14)	43
Net increase (decrease) in cash and cash equivalents	1,074	(540)
Cash and cash equivalents at beginning of quarter	7,569	5,150
Cash and cash equivalents at end of quarter	$ 8,643	$ 4,610
Supplemental disclosures of cash flow information:		
Cash paid during the three months for:		
Interest	$ 40	$ 66
Income taxes	173	415

See accompanying notes to consolidated financial statements.

DAHLBERG, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The consolidated financial statements included herein have been prepared by the Company without audit, in accordance with generally accepted accounting principles, and pursuant to the rules and regulations of the Securities and Exchange Commission. It is suggested that these interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes in the Company's Annual Report Form 10-K for the year ended December 28, 1991 as filed with the Securities and Exchange Commission. In the opinion of management of the Company, these financial statements contain all adjustments (of a normal recurring nature) necessary to present fairly the financial position, results of operations and cash flows of the Company for the interim periods presented.

2. Net earnings per common and common equivalent share are computed based on the weighted average number of common and common equivalent shares outstanding during the respective periods. Common stock equivalent shares include potentially dilutive stock options and are included under the treasury stock method using the average market price of the Company's common stock.

3. Certain 1991 amounts have been reclassified to conform with the 1992 presentation.

4. On February 20, 1992, the Company declared a 20% stock dividend which was paid on March 19, 1992. Dollar, share, and per share amounts in the accompanying financial statements have been retroactively adjusted to reflect the 20% stock dividend. On February 20, 1992, the Company also declared a cash dividend of $.06 per share that was paid on April 9, 1992 to shareholders of record at close of business on March 26, 1992. Dividends payable of $355,000 is reflected on the April 4, 1992 balance sheet.

5. The financial statements for the quarterly periods ended April 4, 1992 and March 30, 1991 include 14 weeks and 13 weeks, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

	Comparison of Three Months Ended 04/04/92 vs. 03/30/91 Increase (Decrease)	
	In Thousands	Percentage of Change
Total Revenue	$ 2,950	13.1%
Cost of Sales	2,317	21.4
Selling, General and Administrative Expense	262	2.5
Interest and Dividend Income	44	31.7
Interest Expense	(34)	(39.5)
Earnings Before Income Taxes	395	33.2
Provision for Income Taxes	157	30.9
Net Earnings	238	34.9

Revenue

The Company's total revenue for the three month period ended April 4, 1992 was $25,510,000, an increase of 13.1% over revenue of $22,560,000 for the comparable period of 1991. This increase in revenue is made up of increases of 31% in wholesale sales, 30% in continuing fee revenue, and 18% in marketing services revenue. In addition, the first quarter of 1992 included 14 weeks compared to 13 weeks in the first quarter of 1991. Retail sales decreased 16.7%.

The increase in wholesale sales revenue is due mainly to increased unit sales to Miracle-Ear franchisees. The 18% increase in marketing services revenue is the result of increased customer sales leads generated from increased advertising levels and an increase in the price per lead charged during the first three months of 1992. The Company anticipates marketing services revenue to continue to be higher than 1991 levels for the rest of the year.

The Company has reached an agreement with Sears whereby management responsibility of the approximately 250 Sears Hearing Aid centers currently operated by Dahlberg will be transferred to Dahlberg's Miracle-Ear franchisees under direct license agreement with Sears. As of April 4, 1992, 29 of the Sears retail centers had been transferred. The Company anticipates that the conversion process will be completed by year-end. As a result, wholesale sales should increase, while retail sales diminish.

During 1991, the Company believes it held 12% of the private market. For the first three months of 1992, the Company believes that its market share remained constant and does not foresee any significant change in 1992.

Cost of Sales

Cost of sales for the first quarter of 1992 increased 21% over the first quarter of 1991, which is primarily a function of the 13% increase in revenue. The Company's overall gross profit margin for the first quarter of 1992 and 1991 was 48% and 52%, respectively. The gross profit margin decrease is mainly attributable to the significant increases in marketing services revenue and wholesale sales to franchisees, both of which provide lower gross margin than retail sales. The decrease in retail sales, which provide a higher relative gross margin, also contributed to the overall decline in gross margin.

Selling, General and Administrative Expense

Selling, general and administrative expenses for the first quarter of 1992 increased 3% from the first quarter of 1991. As a percent of revenue, selling, general and administrative expenses decreased to 43% during the first quarter of 1992 from 47% in the first three months of 1991. The decrease as a percent of revenue relates to the increased revenue from marketing services and wholesale sales which incur lower selling expenses, and decreased revenue from retail sales which incur higher selling expenses.

Interest and Dividend Income

Interest and dividend income for the first quarter of 1992 increased 32% from the first quarter of 1991 primarily due to increased levels of cash available for investment in 1992.

Interest Expense

Interest expense for the first three months of 1992 decreased 40% from the same period a year ago. Long term debt and interest rates are both below 1991 levels.

Earnings Before Income Taxes

Earnings before income taxes for the first quarter of 1992 increased 33% from the first quarter of 1991. The increase in earnings is a result of the factors described above.

Provision for Income Taxes

The provision for income taxes is an estimated percentage of pretax profits. The percentage for the first three months of 1992 was 42% compared to 43% for the first three months of 1991.

Net Earnings

The Company's net earnings were $919,000 or $.15 per share for the three month period ended April 4, 1992 as compared with net earnings of $681,000 or $.12 per share for the comparable period of 1991.

Liquidity and Capital Resources

The Company's working capital was $13,430,000 with a current ratio of 2.2 to 1 at April 4, 1992 and $12,521,000 with a current ratio of 2.2 to 1 at December 28, 1991. At April 4, 1992, the Company had a $500,000 unused line of credit.

Cash and cash equivalents increased $1,074,000 during the first quarter of 1992. Cash provided by operations was $1,642,000 in the first quarter of 1992 compared to cash provided by operations of $2,682,000 in 1991. The Company invested $417,000 in property, plant and equipment and $66,000 in other assets during the first quarter of 1992 compared to $3,480,000 and $106,000, respectively, in 1991. Principal payments on long-term debt were $34,000 during the first quarter of 1992 compared to $27,000 in 1991. No new short-term or long-term debts were incurred in 1992.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits. None.

b. Reports on Form 8-K -- None.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DAHLBERG, INC.
(Registrant)

Date: 5/13/92

By: Sally J. Smith
Sally J. Smith
Vice President, Chief Financial
Officer

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15 (d)
of the Securities Exchange Act of 1934

For the Quarterly Period Ended
March 31, 1992

Commission File Number
0-19018

DAKOTA BANCORP, INC.
(Exact name of registrant as specified in its charter)

Delaware	46-0415083
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

109 First Avenue Southeast, Watertown, South Dakota	57201-6000
(Address of principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (605) 886-6966

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

As of May 5, 1992, there were 562,720 outstanding shares of the registrant's Common Stock.

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DAKOTA BANCORP, INC.

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PART I FINANCIAL INFORMATION
DAKOTA BANCORP, INC.
CONSOLIDATED STATEMENTS OF CONDITION

	March 31, 1992 (unaudited)	September 30, 1991
ASSETS		
Cash and Cash Equivalents	$11,052,931	$3,556,171
Investments:		
U.S. Government and Agency Securities	3,329,104	5,470,424
Mortgage-Backed Securities	18,575,581	17,003,565
Other Securities	1,703,000	1,627,100
Total Investments	23,607,685	24,101,089
Loans Held for Sale	389,000	267,000
Loans Receivable:		
Real Estate Loans	93,352,034	98,021,098
Commercial Loans	6,511,577	4,458,341
Consumer and Other Loans	13,111,995	11,763,472
Total Loans Receivable	112,975,606	114,242,911
Less Allowance for Loan Loss	2,529,394	2,395,709
Loans Receivable, Net	110,446,212	111,847,202
Bank Premises & Equipment, Net	1,353,490	1,366,944
Accrued Income Receivable	1,152,223	1,333,983
Real Estate Owned	885,496	1,390,648
Other Assets	530,169	889,677
TOTAL ASSETS	$149,417,206	$144,752,714
LIABILITIES AND SHAREHOLDERS' EQUITY		
Total Deposits	$127,020,329	$123,382,865
Total Borrowings	2,100,000	2,000,000
Other Liabilities	3,459,659	2,943,334
Total Liabilities	132,579,988	128,326,199
Shareholders' Equity:		
Common Stock	5,623	5,616
Surplus	3,890,741	3,884,861
Retained Earnings	12,940,854	12,536,038
Total Shareholders' Equity	16,837,218	16,426,515
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$149,417,206	$144,752,714

*See Notes to Consolidated Financial Statements

PART I FINANCIAL INFORMATION
DAKOTA BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	1992	1991	1992	1991
INTEREST INCOME:				
Interest on Loans	$2,724,883	$2,803,157	$5,361,030	$5,718,432
Interest on Investments	546,775	611,760	1,143,876	1,124,271
Total Interest Income	3,271,658	3,414,917	6,504,906	6,842,703
INTEREST EXPENSE:				
Interest on Deposits	1,840,474	2,240,639	3,849,151	4,578,604
Interest on Borrowings	23,336	39,781	52,624	81,419
Total Interest Expense	1,863,810	2,280,420	3,901,775	4,660,023
NET INTEREST INCOME	1,407,848	1,134,497	2,603,131	2,182,680
Provision for Loan Losses	100,000	232,000	150,000	232,000
Net Interest Income After Provision for Loan Losses	1,307,848	902,497	2,453,131	1,950,680
NON-INTEREST INCOME:				
Service Charges on Deposits	73,284	41,396	129,687	104,324
Net Gains (Losses) on Securities Sales	-	-	48,483	-
Other Income	187,296	139.112	420,767	276,598
Total Non-Interest Income	260,580	180,508	598,937	380,922
NON-INTEREST EXPENSE:				
Salaries and Benefits	507,608	380,225	988,720	758,072
Occupancy Expenses	86,336	121,685	170,852	227,236
Federal Insurance Premium	69,474	67.976	138,948	135,951
Computer Service Expense	60,433	54,546	122,270	101,476
Net (Gain) Loss on Sale of Real Estate Owned Including Provision for Losses	109,941	11,605	137,941	11,605
Other Operating Expense	256,488	74,406	444,359	273,466
Total Non-Interest Expense . . .	1,090,280	710,443	2,003,090	1,507,806
INCOME BEFORE TAXES	478,148	372,562	1,048,978	823,796
Income Taxes	277,462	243,135	509,333	393,983
NET INCOME	$ 200,686	$ 129,427	$ 539,645	$429,813
Earnings Per Common Share:				
Primary	$ .35	N/A	$ .94	N/A
Fully diluted	$ .35	N/A	$ .94	N/A
Dividends Declared Per Share . . .	$ .12	N/A	$ .24	N/A

PART I FINANCIAL INFORMATION
DAKOTA BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended March 31,	
	1992	1991
OPERATING ACTIVITIES:		
Net Income	$539,645	$429,813
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	72,832	94,336
Amortization of premiums and discounts on mortgage-backed and investment securities, net	(5,470)	(18,282)
Origination of loans held for sale	(3,429,000)	(1,435,000)
Proceeds from sale of loans	3,307,000	1,085,000
Deferred loan origination fees	(75,390)	(38,210)
Net (gain) losses on sales of real estate owned including provision for losses .	137,941	11,605
Net (gain) losses on sales of securities	(48,483)	-
Provision for loan losses	150,000	232,000
Change in:		
Accrued interest receivable	181,760	(627)
Other assets	359,508	(391,540)
Accrued interest payable	(152,844)	21,179
Other liabilities . . .	666,960	318,281
Net cash provided by operating activities	1,704,459	308,555
INVESTING ACTIVITIES:		
Net (increase) decrease in loans	1,133,369	(437,917)
Principal payments on mortgage-backed securities . . .	1,214,758	623,897
Proceeds from maturities of investment securities .	3,112,820	2,248,024
Investment in:		
Investment securities .	(995,000)	-
Mortgage-backed securities	(4,696,253)	(4,709,869)
Federal Home Loan Bank stock	(52,400)	(52,800)
Office properties and equipment, net	(59,378)	(51,657)
Proceeds from sale of:		
Mortgage-backed securities	1,963,432	-
Real estate owned . . .	560,222	278,653
Net cash provided by (used in) investing activities .	2,181,570	(2,101,669)

FINANCING ACTIVITIES:		
Net increase in deposits	3,637,464	863,855
Net increase in borrowings	100,000	-
Net decrease in advances payments by borrowers for taxes	2,209	40,509
Proceeds from stock sale	5,887	-
Dividends paid	(134,829)	-
Net cash provided by financing activities .	$3,610,731	$904,364
Increase in cash and cash equivalents	7,496,760	(888,750)
Cash & cash equivalents, beginning.	3,556,171	6,898.580
Cash & cash equivalents, ending	$11,052,931	$6,009,830

DAKOTA BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(1) Basis of Presentation

The accompanying unaudited condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, the condensed Consolidated Financial Statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial condition of Dakota Bancorp, Inc. as of March 31, 1992 and September 30, 1991, and the results of its operations for the three and six months ended March 31, 1992 and 1991, and its cash flows for the six months ended March 31, 1992 and 1991. Financial Statement reclassifications have been made for 1991 to conform to classifications used in 1992.

(2) Earnings Per Share of Common Stock

Primary and fully diluted earnings per share of Common Stock is computed by dividing net income for the period by the weighted average number of common stock and common stock equivalents outstanding during the three and six month periods ended March 31, 1992. Weighted average number of shares used in the primary earnings per share computations were 571,355 and 571,261, for the three and six month periods ended March 31, 1992, respectively. Weighted average number of shares used in the fully diluted earnings per share computations were 572,316 and 572,222, for the three and six month periods ended March 31, 1992.

On January 21, 1992, the shareholders of the Company ratified the adoption of the Company's 1990 Stock Option and Incentive Plan. Pursuant to the Plan, 54,3[illegible]6 shares of the Company's Common Stock are reserved for issuance, of which the Company has granted options on 20,692 shares. As of March 31, 1992, outstanding options on 19,956 shares of the Company's Common Stock remain unexercised.

(3) Regulatory Capital Requirements

Pursuant to the Financial Institution Reform, Recovery, and Enforcement act of 1989 ("FIRREA"), as implemented by an interim final rule promulgated by the Office of Thrift Supervision, savings institutions must meet three separate minimum capital-to-asset requirements. The following table summarizes, as of March 31, 1992, the Bank's capital requirements under FIRREA and its actual capital ratios. As of March 31, 1992, First Federal Savings Bank substantially exceeded all current regulatory capital standards and further exceeds all capital requirements on a fully phased-in basis.

	Regulatory Capital Requirement		Actual Capital (Bank Only)	
	Amount	Percent	Amount	Percent
	(Dollars in Thousands)			
Risk-Based	$6,428	7.2%	$18,120	20.29%
Core Capital . . .	4,460	3.0	16,773	11.28
Tangible Capital. .	2,230	1.5	16,773	11.28

(4) Common Stock Cash Dividends

On October 25, 1991, the Board of Directors of Dakota Bancorp, Inc., declared a quarterly cash dividend of $.12 per share. The dividend was paid on November 15, 1991 to shareholders of record on November 7, 1991. The payment of the cash dividend reduced shareholders Equity by $67,388.

On February 20, 1992, the Board of Directors of Dakota Bancorp, Inc., declared a quarterly cash dividend of $.12 per share. The dividend was paid on March 20, 1992 to shareholders of record on March 3, 1992. The payment of the cash dividend reduced shareholder's equity by $67,441.

DAKOTA BANCORP, INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Dakota Bancorp, Inc. (the "Company") conducts no business other than through its subsidiary, First Federal Savings Bank (the "Bank"). The Company's results of operations are primarily dependent on the Bank's net interest margin, which is the difference between interest income on interest-earning assets and interest expense on interest-bearing liabilities. Interest income is a function of the average balances of interest-earning assets outstanding during the period and the average yields earned on such assets. Interest expense is a function of the average amount of interest-bearing liabilities outstanding during the period and the average rates paid on such liabilities. The Bank also generates non-interest income, such as income from service charges on deposits and other fees and charges. The Bank's net income is also affected by the level of its non-interest expenses, such as employee salaries and benefits, occupancy expenses and other expenses.

Financial Condition

Total consolidated assets of the Company were $149,417,206 at March 31, 1992, an increase of $4.6 million or 3.2% from September 30, 1991. The increase resulted primarily from an increase in deposits of $3.6 million. Cash and cash equivalents increased due to increases in deposits and proceeds from the refinancing of fixed-rate mortgage loans.

Total loans receivable decreased $1.4 million or 1.3% from September 30, 1991. The decrease was primarily due to repayment of principal on real estate loans. Consumer and other loans increased $1.3 million or 11.5% from $11.8 million at September 30, 1991 to $13.1 million at March 31, 1992. The Bank believes this increase was due in part to increased marketing efforts for consumer loans. Commercial loans increased $2.1 million or 46.1% from $4.4 million at September 30, 1991 to $6.5 million at March 31, 1992. Real estate loans decreased $4.7 million or 4.8% from September 1991. This is partially due to customers refinancing adjustable rate loans with fixed rate mortgage loans, which the Company endeavors to sell. In order to control its exposure to interest rate risk, the Company sells substantially all fixed-rate long-term mortgage loans originated pursuant to forward sales commitments. For the three and six months ended March 31, 1992, the Company sold $1.8 million and $3.3 million in fixed rate mortgage loans. The Company had commitments to sell $389,000 in fixed rate mortgage loans at March 31, 1992.

Mortgage-backed securities increased $1.6 million to $18.6 million at March 31, 1992 from $17.0 million at September 30, 1991. The increase in mortgage-backed securities was due to the reinvestment of proceeds from the maturities of U.S. Government Securities. The mortgage-backed securities were agency-backed fixed-rate pools with a short weighted average life.

Deposits increased $3.6 million or 2.9% to $127.0 million at March 31, 1992 from $123.4 million at September 30, 1991. Management believes the increase in deposits since September was due partially to customer inability to find other financial products with desirable yields.

Total borrowings increased $100,000 to provide the funding for a new low income loan program.

Asset/Liability Management

The Company continuously monitors and takes actions to control fluctuations in net interest income that results from the imbalance in the volume of assets and liabilities repricing during a period of time. In response to customer demand, the Company continues to originate fixed rate mortgage loans, however, substantially all of these loans are sold pursuant to forward sales commitments in order to manage its interest rate sensitivity. Management also mitigates its interest rate risk exposure by purchasing adjustable rate mortgage-backed securities and short-term investments. In addition, management favorably prices term deposits to encourage customers' use of longer term investments.

Notwithstanding the Company's actions to monitor and control interest rate risk, the Company has fewer assets that generally reprice or mature over one and three year periods than liabilities that reprice or mature during the same time periods. As a result, the Company will benefit during periods of declining interest rates; conversely, rising interest rates will adversely affect the Company.

Non-Performing Assets and Allowance for Loan Losses

The allowance for loan losses is calculated based upon an evaluation of pertinent factors underlying the types and qualities of the Company's loans. Management considers such factors as the repayment status of a loan, the estimated net realizable value of the underlying collateral, the borrower's ability to repay the loan, current and anticipated economic conditions which might affect the borrower's ability to repay the loan and the Company's past statistical history concerning charge-offs. Management, as a result of this review process, recorded provisions for loan losses in the amount of $100,000 for the three months ending March 31, 1992, as compared to a provision of $232,000 for the three months ending March 31, 1991. The Company's loan loss allowance balance as of March 31, 1992, was $2,529,000, or 2.3% of total loans, net. The September 30, 1991 loan loss allowance balance was $2,396,000, or 2.1% of total loans, net. Total assets classified as substandard, doubtful or loss as of March 31, 1992 were $9.6 million, or 6.4% of total assets. While management believes that the current allowance is adequate to absorb possible loan losses in the existing loan portfolio, there is no assurance that subsequent evaluations of the loan portfolio may not require additions to the allowance.

The non-performing assets to total assets ratio is one indicator of the exposure to credit risk. Non-performing assets of the Company consist of non-accrual loans, troubled debt restructurings, and real estate owned which has been acquired as a result of foreclosure or deed-in-lieu of foreclosure.

	At Quarter Ended 03/31/92	 03/31/91	At Year Ended 09/30/91
		(In Thousands)	
Non-accruing loans . . .	$1,288	$1,042	$1,298
Accruing loans delinquent more than 90 days . . .	36	44	17
Troubled Debt Restructurings	971	1,475	1,058
Foreclosed Assets	885	1,522	1,391
Total Non-Performing Assets	$3,180	$4,083	$3,764
Total Non-Performing Assets as a Percentage of Total Assets . . .	2.13%	2.82%	2.60%

The total non-performing assets decreased to $3.2 million, or 2.13% of total assets at March 31, 1992 from $3.8 million, or 2.60% of total assets at September 30, 1991. The decrease in non-performing assets occurred primarily from the sale of real estate owned and $133,000 provision for loss on real estate owned.

Liquidity and Capital Resources

The Company's primary sources of funds are deposits, principal and interest payments on loans and mortgage-backed securities, FHLB-Des Moines advances and funds provided by operations. While scheduled loan, mortgage-backed amortization and short-term investments are a relatively predictable source of funds, deposit flows are greatly influenced by general interest rates, economic conditions, competition and, most recently, the restructuring occurring in the thrift industry. Current Office of Thrift Supervision regulations require the Bank to maintain cash and eligible investments in an amount equal to at least 5% of customer accounts and short-term borrowings to assure its ability to meet demands for withdrawals and repayment of short-term borrowings. As of March 31, 1992 and March 31, 1991, the Bank's liquidity ratios were 11.14% and 10.90%, respectively, which were in excess of the minimum regulatory requirements.

The Company uses its capital resources principally to meet its ongoing commitments to fund maturing certificates of deposits and loan commitments, maintain its liquidity and meet operating expenses. At March 31, 1992, the company has commitments to originate loans totalling $2.2 million. The Company considers its liquidity and capital resources to be adequate to meet is foreseeable short- and long-term needs. The Company expects to be able to fund or refinance, on a timely basis, its material commitments and long-term liabilities.

Regulatory standards impose the following capital requirements: a risk-based capital standard expressed as a percent of risk-adjusted assets, a leverage ratio of core capital to total adjusted assets, and a tangible capital ratio expressed as a percent of total adjusted assets. As of March 31, 1992, the bank substantially exceeded all regulatory capital standards.

At March 31, 1992, the Bank's tangible capital was $16,773,000 or 11.28% of adjusted total assets, which is in excess of the 1.5% requirement by $14,531,000. In addition, at March 31, 1992, the Bank had core capital of $16,773,000 or 11.28% of adjusted total assets, which exceeds the 3.0% requirements by $12,289,000. The Bank had risk-based capital of $18,120,000 at March 31, 1992 or 20.29% of risk-adjusted assets which exceeds the 7.2% risk-based capital requirements by $11,692,000. The Bank also exceeds all capital requirements on a fully phased-in basis.

Results of Operations

The Company's net income for the six months ended March 31, 1992 was $540,000 compared to $430,000 for the six months ended March 31, 1991. Net income for the three months ended March 31, 1992 was $201,000 compared to $129,000 for the three months ended March 31, 1991. The increase in income for both periods is primarily due to an increase in net interest income after provision for loan losses, offset by increases in total non-interest expense.

Net interest income increased by 19.2% to $2,603,000 for the six months ended March 31, 1992 from $2,183,000 for the same period in 1991. Net interest income increased by 24.1% to $1,408,000 for the three months ending March 31, 1992 from $1,134,000 for the same period in 1991. Net interest income increased during these periods primarily due to a reduction in interest expense. In this respect, the Company's cost of funds decreased from 6.2% at March 31, 1991 to 5.5% at March 31, 1992, reflecting the national trend of declining rates.

Provision for loan losses decreased to $150,000 for the six months ended March 31, 1992 compared to $232,000 for the six months ended March 31, 1991. Provision for loan losses decreased to $100,000 for the three months period ended March 31, 1992 compared to $232,000 for the same period in 1991. The provision for loan losses is established as part of management's review of assets. See "--Non-Performing Assets and Allowance for Loan Losses."

Total non-interest income increased 57.2% to $599,000 for the six months ended March 31, 1992 as compared to $381,000 for the same period a year ago. Non-interest income increased to $261,000 for the three months ended March 31, 1992 compared to $181,000 for the same period in 1991. The increases were due to a $48,000 gain on the sale of investment securities, increased income from the Bank's subsidiary, First Service Corporation, increased loan and deposit fee income and the settlement of a claim with the Bank's bonding company.

Non-interest expense increased 32.8% to $2,003,000 for the six months ended March 31, 1992 as compared to $1,508,000 for the same period a year ago. Non-interest expense increased 53.5% to $1,090,000 for the three months ended March 31, 1992 as compared to $710,000 for the same period a year ago. These increases are due primarily to increases in compensation and related benefits, computer expense, professional fees provisions for REO property and loan collection expense.

Part II - Other Information

ITEM 4. Submission of Matters to a Vote of Security Holders.

The first Annual Meeting of Stockholders of the Registrant was held on January 21, 1992 (the "Meeting"). At the Meeting, shareholders voted upon the ratification of the adoption of the 1990 Stock Option and Incentive Plan of the Registrant (the "Plan").

The number of affirmative votes cast with respect to the ratification of the adoption of the Plan was 297,898. The number of negative votes cast with respect to the ratification of the adoption of the Plan was 5,025.

ITEM 6. Exhibits and Reports on Form 8-K

(a) A Form 8-K was filed on May 5, 1992 announcing an increase in the Company's quarterly dividend from $.12 per share to $.15 per share.

DAKOTA BANCORP, INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dakota Bancorp, Inc.
(Registrant)

Date 5/14/92

Dean D. Gackstetter

Dean D. Gackstetter
President and
Chief Executive Officer

Date 5/14/92

Deborah S. Sneve

Deborah S. Sneve
Vice President, Secretary
and Principal Financial Officer

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

RECD S.E.C.

MAY 1 4 1992

145

[✓] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

For Quarter Ended March 31, 1992

Commission file num [illegible]

PROCESSED B
15/14 : JS
MAY 16 1992

ENERGY VENTURES, INC.

(Exact name of Registrant as specified in its Charter) ✓ 2(.)

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Delaware	04-2515010
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5 Post Oak Park, Houston, Texas	77027-3415
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) (713) 297-8400

NONE

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of Class	Outstanding at May 6, 1992
Common Stock, par value $1.00	12,059,334

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ENERGY VENTURES, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The unaudited financial statements included herein have been prepared by Energy Ventures, Inc. (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission. These financial statements reflect all adjustments, consisting of normal recurring adjustments, which the Company considers necessary for the fair presentation of such financial statements for the periods indicated. Certain information relating to the Company's organization and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted in this Form 10-Q pursuant to such rules and regulations. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991, and the information included in the Proxy Statement dated April 17, 1992.

ENERGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

ASSETS	(Unaudited) March 31, 1992	December 31, 1991
	(in thousands)	
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 10,434	$ 6,661
Short-Term Investments, Restricted	5,000	–
Accounts Receivable, Net of Allowance for Doubtful Accounts of $606,000 at March, 1992 and $601,000 at December, 1991	28,771	29,331
Inventories	47,168	48,145
Prepaid Expenses and Other	5,826	6,541
	97,199	90,678
PROPERTY, PLANT AND EQUIPMENT, AT COST, NET OF ACCUMULATED DEPRECIATION	87,989	79,262
EXCESS OF COST OVER FAIR VALUE OF NET TANGIBLE ASSETS OF BUSINESSES ACQUIRED, NET	9,728	9,795
OTHER ASSETS	6,827	5,287
	$ 201,743	$ 185,022

LIABILITIES AND STOCKHOLDERS' INVESTMENT		
CURRENT LIABILITIES:		
Short-Term Borrowings, Primarily Under Revolving Lines of Credit	$ 9,405	$ 22,701
Current Maturities of Long-Term Debt	1,569	4,693
Accounts Payable	15,384	16,892
Other Accrued Liabilities	10,286	7,571
	36,644	51,857
LONG-TERM DEBT	37,643	5,878
DEFERRED INCOME TAXES AND OTHER LIABILITIES	25,095	25,164
COMMITMENTS AND CONTINGENCIES		
REDEEMABLE COMMON STOCK	1,000	1,000
STOCKHOLDERS' INVESTMENT:		
Common Stock	11,987	11,984
Capital in Excess of Par Value	47,252	47,246
Retained Earnings	42,525	41,971
Cumulative Foreign Currency Translation Adjustment	(403)	(78)
	101,361	101,123
	$ 201,743	$ 185,022

The accompanying notes are an integral part of these consolidated condensed financial statements

ENERGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME

	(Unaudited) Three Months Ended March 31, 1992	(Unaudited) Three Months Ended March 31, 1991
	(in thousands, except per share amounts)	
REVENUES	$ 43,829	$ 43,223
COSTS AND EXPENSES:		
Cost of Sales	33,658	32,937
Selling, General and Administrative Attributable to Segments	8,162	7,195
Corporate General and Administrative	867	682
OPERATING INCOME	1,142	2,409
OTHER INCOME (EXPENSE):		
Interest Income	95	499
Interest Expense	(709)	(806)
Other, Net	139	73
	(475)	(234)
INCOME BEFORE INCOME TAXES	667	2,175
PROVISION FOR INCOME TAXES	113	789
NET INCOME	$ 554	$ 1,386
EARNINGS PER SHARE	$ 0.05	$ 0.13
WEIGHTED AVERAGE SHARES OUTSTANDING	12,058	10,825

The accompanying notes are an integral part of these consolidated condensed financial statements.

ENERGY VENTURES, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

	(Unaudited) Three Months Ended March 31, 1992	 1991
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 554	$ 1,386
Adjustments to Reconcile Net Income to Cash Provided (Used) by Operations:		
Depreciation and Amortization	2,365	1,776
Deferred Income Tax Provision	(807)	(55)
Change in Assets and Liabilities, Net of Effects of Company Acquired:		
Short-Term Investments	(5,000)	–
Accounts Receivable	1,963	90
Inventories	2,477	(5,318)
Prepaid Expenses and Other	(174)	2,445
Accounts Payable	(2,198)	(124)
Other Accrued Liabilities	152	(9,548)
Other, Net	7	77
Net Cash Used by Operating Activities	(661)	(9,271)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Business	(10,240)	–
Capital Expenditures for Property, Plant and Equipment	(1,125)	(5,383)
Decrease in Other Assets	478	77
Proceeds from Sale of Property, Plant and Equipment	61	223
Decrease in Other Long-Term Liabilities	(123)	(157)
Other, Net	54	–
Net Cash Used by Investing Activities	(10,395)	(5,240)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Issuance of Long-Term Debt	34,000	–
Borrowings (Repayments) Under Revolving Lines of Credit, Net	(13,296)	4,448
Borrowings Under Term Debt	351	3,562
Repayments on Term Debt	(5,735)	(7,961)
Stock Options Exercised	9	23
Net Cash Provided by Financing Activities	15,329	72
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,773	(14,439)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,661	33,181
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 10,434	$ 18,742
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest Paid	$ 717	$ 851
Income Taxes Paid	$ 115	$ 11,022

The accompanying notes are an integral part of these consolidated condensed financial statements

ENERGY VENTURES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

(1) Inventories

Major components of inventories include:

	March 31, 1992	December 31, 1991
	(in thousands)	
Raw materials and components	$ 29,804	$ 29,399
Work in process	4,850	5,926
Finished goods	12,514	12,820
	$ 47,168	$ 48,145

(2) Acquisitions Completed in 1992

On March 26, 1992, the Company completed the acquisition of substantially all of the non-real estate operating assets of Atlas Bradford Corporation ("Atlas Bradford") for approximately $10.2 million in cash, a 2% annual royalty for three years on thread only sales over $30 million adjusted for inflation, and approximately $0.7 million in assumed trade accounts payable. The purchase was financed with a portion of the net proceeds of the private placement of $34 million principal amount of the Company's senior notes. See Note (4) to the Consolidated Condensed Financial Statements. The business acquired from Atlas Bradford consisted of the design, manufacture and marketing of premium threaded connections for tubing and casing used in the drilling and production of oil and gas wells. The acquired business of Atlas Bradford will be integrated with the operations of Grant TFW. The Company currently expects to expend, during the 18 month period following the acquisition, up to $5 million for the relocation of the assets acquired and for the related modification of the existing Grant TFW facility to accommodate the Atlas Bradford operations.

The Atlas Bradford acquisition was accounted for using the purchase method. The Company has preliminarily estimated the fair value of the tangible net assets acquired as of the acquisition date. The Consolidated Condensed Balance Sheet at March 31, 1992 includes the Atlas Bradford assets acquired with an estimated fair value of approximately $15.1 million, of which approximately $10 million represents equipment. The liabilities recorded of approximately $4.9 million primarily relate to the accrual of estimated moving costs of the assets acquired. The allocation of the purchase price is based on the best estimates of the Company using information currently available. Certain adjustments relating to this acquisition are subject to change based upon final appraisals and determination of the fair value of the net assets acquired and liabilities assumed.

(3) Contingencies, Disputes and Litigation

Litigation and Other Disputes

The Company is aware of various disputes, potential claims, and pending litigation against the Company and its subsidiaries, some of which are covered by insurance. In the opinion of management, the ultimate liability, if any, which may result from known disputes and claims will not materially affect the consolidated financial position or results of operations of the Company.

Insurance

The Company is partially self-insured for employee health insurance claims and for marine workers compensation claims and medical claims for certain of its employees. Management believes that adequate reserves have been provided for expected liabilities arising from its self-insured obligations as of March 31, 1992.

(4) Notes Payable

On March 25, 1992, the Company executed an unsecured private placement of $34 million of 12.25% senior notes due March 1997 ("Senior Notes"). The Senior Notes are guaranteed by the Company's principal operating subsidiaries. Interest is payable semi-annually in March and September, and the Senior Notes contain various customary affirmative and negative covenants, including certain restrictions on additional indebtedness by the Company and its subsidiaries, payment of dividends by the Company, the granting of security interests in the Company's assets and the use of the Company's funds, including the proceeds from the sale of the Senior Notes, for certain types of investments and acquisitions. The Company is also required to maintain certain minimum levels of consolidated tangible net worth and working capital. A portion of the net proceeds from the sale of the Senior Notes was used to acquire the non-real estate operating assets of Atlas Bradford for approximately $10.2 million and to repay certain term debt of approximately $4.9 million and to reduce outstanding indebtedness under the Company's revolving credit agreements. The remaining net proceeds from the sale of the Senior Notes are being held by the Company for use in the Company's businesses and for other general corporate purposes.

On March 25, 1992, the Company and its operating subsidiaries entered into an amendment to a revolving line of credit and term note agreement dated March 29, 1991. Under the amendment, the $24 million credit facility, of which $5 million represented maximum available term loans, was increased to a $34 million revolving line of credit subject to certain levels of availability. Borrowings under this line of credit are based on the lender's determination of the collateral value of the current assets of the Company and its subsidiaries securing the line of credit and are subject to the Company and the subsidiaries maintaining various financial criteria. The line of credit is secured by substantially all of the borrowing subsidiary's accounts receivable and inventory and a pledge by the Company of cash collateral of $5 million, which currently consists of a certificate of deposit included in the Company's Consolidated Condensed Balance Sheet at March 31, 1992 under "Short-Term Investments, Restricted." The line of credit is secured by substantially all of the Company's operating subsidiaries' current assets. The Company is required to maintain various affirmative and negative covenants relating to working capital, earnings and net assets. The facility also imposed certain limitations on the use of funds for acquisitions and capital expenditures, the incurrence of additional indebtedness and other operational matters and certain prohibitions on the declaration and payment of dividends by the Company.

(5) Common Stock and Redeemable Common Stock

At March 31, 1992 and December 31, 1991, the Company had issued and outstanding shares of Common Stock of 12,059,334 and 12,055,998, respectively. At March 31, 1992 and December 31, 1991, the Company had 20,000,000 authorized shares of Common Stock, $1 par value.

On April 17, 1990, the Company issued 72,000 shares of the Company's common stock to Wedge Energy Services, Inc. ("Wedge") in conjunction with the acquisition of certain assets of SEE Inc. These shares are subject to a "put option" which allows Wedge to require the Company to purchase any or all of these shares, at Wedge's option, for a period of 90 days beginning after April 15, 1992, at a price of $13.89 per share. The 72,000 shares conveyed to Wedge are included in the total issued and outstanding amounts discussed above and are reflected in the accompanying Consolidated Condensed Balance Sheets at March 31, 1992 and December 31, 1991 as "Redeemable Common Stock." The Company has been advised by Wedge that Wedge intends to require the Company to repurchase for cash the shares of common stock of the Company held by it under the terms of the "put option" described above.

(6) Pro Forma Information

The following table presents consolidated financial information for the Company on a pro forma basis assuming that all 1991 and 1992 acquisitions, including the Atlas Bradford acquisition, the issuance of equity in July 1991 and the private placement of the $34 million Senior Notes had occurred on January 1, 1991. The pro forma adjustments are based on estimates made by the Company's management using information currently available. For purposes of preparing this pro forma consolidated financial information, certain assumptions have been made in allocating the purchase price to the net assets acquired. As such, the pro forma adjustments are subject to change pending completion of the detailed evaluation of the net assets acquired.

	Three Months Ended March 31,	
	1992	1991
Revenues	$ 46,735	$ 53,323
Net Income (Loss)	$ (338)	$ 1,714
Earnings (Loss) Per Share . . .	$ (.03)	$ .14

The pro forma information reflected above includes the effects of purchase accounting and acquisition financing adjustments. Pro forma information does not purport to be indicative of the results that actually would have been obtained if all the transactions described above had occurred during the years presented and is not intended to be a projection of future results.

(7) Change in Accounting Estimate

Effective January 1, 1992, the Company revised the estimated useful lives of its domestic rigs from approximately 15 years to approximately 20 years to more closely reflect expected remaining lives. The effect of this change in accounting estimate resulted in an increase in the Company's net income of $96,000 or $.01 per share for the three months ended March 31, 1992.

(8) Reclassifications

Certain reclassifications of prior period balances have been made to conform such amounts to appropriate March 31, 1992 classifications.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

For the quarter ended March 31, 1992, the Company reported net income of $554,000 or $.05 per share, on revenues of $43,829,000. Net income for the first quarter of 1991 was $1,386,000, or $.13 per share on revenues of $43,223,000. Operating income in the current quarter of the Company's oilfield equipment, drilling and workover services and exploration and production segments was $1,580,000, $409,000 and $20,000, respectively. For the comparative period in 1991 the Company's oilfield equipment, drilling and workover services and exploration and production segments had operating income of $2,744,000, $340,000 and $28,000, respectively. The reduction in operating income for the first quarter of 1992 was primarily attributable to unfavorable pricing conditions in the markets for the Company's products and services caused by sharply reduced North America drilling and production activity.

Consolidated revenues for the quarter ended March 31, 1992 increased slightly compared to the same prior year period. The oilfield equipment segment's revenues increased approximately 14% in the first quarter of 1992 compared to the same period in 1991. Within the oilfield equipment segment, sales at Grant TFW Inc. ("Grant TFW") increased approximately 17% reflecting the increased international demand for Grant TFW's line of drillpipe. Sales at Highland increased approximately 11% due to the acquisition of substantially all of the assets of COROD Industries Inc. ("COROD") in May 1991.

Revenues in the drilling and workover services segment decreased approximately 34% for the quarter ended March 31, 1992 compared to the same period in 1991. The decrease was primarily attributable to reduced domestic drilling and workover activity and lower day rates in the Gulf of Mexico due to continuing low prices for natural gas and increased competition in certain markets. The first quarter of 1992 was favorably impacted by the revenues and income attributable to the Company's Nigerian operations which operates at significantly higher margins than the Company's domestic rigs. Revenues generated from the Company's Nigerian operations represented approximately 24% of the drilling and workover services segment's revenues for the first quarter ended March 31, 1992.

On a consolidated basis gross profit remained constant between the two comparative periods. For the quarter ended March 31, 1992, the gross profit for the oilfield equipment, drilling and workover services and exploration and production segments was $8,874,000, $1,277,000 and $20,000, respectively compared to $9,139,000, $1,139,000 and $29,000, respectively for the quarter ended March 31, 1991. The oilfield equipment segment's gross profit decreased by approximately 3% for the comparative periods. The decline in the oilfield equipment segment for the current period principally results from competitive pricing conditions on Grant TFW products. The drilling and workover segment's gross profit increased by approximately 12% for the comparative period due to high margins from the Company's Nigerian operations which were partially offset by lower margined domestic operations. The Company's Nigerian operations generated approximately 68% of the drilling and workover services segment's gross profit for the current period. In the first quarter of 1992 the Company revised the estimated useful lives of its domestic rigs from approximately 15 years to approximately 20 years to more closely reflect expected remaining lives. This change favorably impacted the Company's first quarter 1992 gross profit by approximately $146,000.

Consolidated selling, general and administrative expenses increased approximately 15% for the current quarter as compared to the same period in the prior year. The increase in the current period was primarily attributable to the COROD acquisition and the level of spending related to the Company's expansion into foreign markets.

The Company's consolidated effective tax rate for the first quarter of 1992 was approximately 17% compared to approximately 36% for the same period in the prior year. The current period's effective tax rate was favorably benefited by foreign tax rates, foreign tax credits on foreign source income of which such income increased substantially in the current period compared to the same period in the prior year, and the utilization of net operating loss carryforwards.

Results for the remainder of 1992 are expected to continue to be effected by adverse market conditions in the North America oil and gas industry as well as by increased interest expense associated with the $34 million principal amount of its 12.25% Senior Notes due March 1997 that were issued by the Company on March 25, 1992. Future results will also be dependent upon the success of the Company in penetrating and increasing its sales into the foreign markets either directly or through joint ventures.

Liquidity and Capital Resources

At March 31, 1992, the Company had cash and cash equivalents of approximately $10.4 million versus approximately $6.7 million at December 31, 1991. The increase in cash and cash equivalents at March 31, 1992 compared to December 31, 1991 was primarily associated with the private placement of $34 million of Senior Notes partially offset by the use of such funds as discussed below and for existing operating activities. The Company also had $5 million invested in a certificate of deposit of a major financial institution that was pledged to secure the Company's and its subsidiaries' obligations under such subsidiaries' revolving credit facility.

On March 25, 1992, the Company executed an unsecured private placement of $34 million of 12.25% Senior Notes due March 1997. The Senior Notes are guaranteed by the Company's principal operating subsidiaries. Interest is payable semi-annually in March and September, and the Senior Notes contain various customary affirmative and negative covenants, including certain restrictions on additional indebtedness by the Company and its subsidiaries, payment of dividends by the Company, the granting of security interests in the Company's assets and the use of the Company's funds, including the proceeds from the sale of the Senior Notes, for certain types of investments and acquisitions. The Company is also required to maintain certain minimum levels of consolidated tangible net worth and working capital. A portion of the net proceeds from the sale of the Senior Notes was used to acquire the non-real estate operating assets of Atlas Bradford for approximately $10.2 million and to repay certain term debt of approximately $4.9 million and to reduce outstanding indebtedness under the Company's revolving credit agreements. The remaining net proceeds from the sale of the Senior Notes are being held by the Company for use in the Company's businesses and for other general corporate purposes.

On March 26, 1992, the Company completed the acquisition of substantially all of the non-real estate operating assets of Atlas Bradford for approximately $10.2 million in cash, a 2% annual royalty for three years on thread only sales over $30 million adjusted for inflation, and approximately $0.7 million in assumed trade accounts payable. The purchase was financed with a portion of the net proceeds of the private placement of $34 million principal amount of the Company's Senior Notes. The business acquired from Atlas Bradford consisted of the design, manufacture and marketing of premium threaded connections for tubing and casing used in the drilling and production of oil and gas wells. The acquired business of Atlas Bradford will be integrated with the operations of Grant TFW. The Company currently expects to expend, during the 18 month period following the acquisition, up to $5 million for the relocation of the assets acquired and for the related modification of the existing Grant TFW facility to accommodate the Atlas Bradford operations.

On March 25, 1992, the Company and its operating subsidiaries entered into an amendment to a revolving line of credit and term note agreement dated March 29, 1991. Under the amendment, the $24 million credit facility of which $5 million represented maximum available term loans, was increased to a $34 million revolving line of credit subject to certain levels of availability. Borrowings under this line of credit are based on the lender's determination of the collateral value of the current assets of the Company and its subsidiaries securing the line of credit and are subject to the Company and the subsidiaries maintaining various financial criteria. The line of credit is secured by substantially all of the borrowing subsidiary's accounts receivable and inventory and a pledge by the Company of cash collateral of $5 million, which currently consists of a certificate of deposit included in the Company's Consolidated Condensed Balance Sheet at March 31, 1992 under "Short-Term Investments, Restricted." The line of credit is secured by substantially all of the Company's operating subsidiaries' current assets. The Company is required to maintain various affirmative and negative covenants relating to working capital, earnings and net assets. The facility also imposed certain limitations on the use of funds for acquisitions and capital expenditures, the incurrence of additional indebtedness and other operational matters and certain prohibitions on the declaration and payment of dividends by the Company.

In May 1990, Mallard Bay Drilling, Inc. ("Mallard Bay") entered into a revolving line of credit agreement which will expire in June 1992. Total borrowings under this facility at March 31, 1992 and December 31, 1991 were approximately $1.7 million and approximately $2.6 million, respectively. In addition, the Company repaid in full the term loan associated with the purchase of Bay Drilling Corporation. At the time of the repayment such loan balance was approximately $2.3 million including accrued interest. The funds used to repay the term debt were from a portion of the net proceeds of the private placement of $34 million Senior Notes.

At March 31, 1992, the Company had total lines of credit under short-term borrowing agreements, including the facilities described above, of $25.6 million, of which $14.6 million was available, compared to outstanding lines of credit of $27.7 million at December 31, 1991 of which $1.3 million was available.

On April 17, 1990, the Company issued 72,000 shares of the Company's common stock to Wedge Energy Services, Inc. ("Wedge") in conjunction with the acquisition of certain assets of SEE Inc. These shares are subject to a "put option" which allows Wedge to require the Company to purchase any or all of these shares, at Wedge's option, for a period of 90 days beginning after April 15, 1992, at a price of $13.89 per share. The 72,000 shares conveyed to Wedge are included in the total issued and outstanding amounts discussed above and are reflected in the accompanying Consolidated Condensed Balance Sheets at March 31, 1992 and December 31, 1991 as "Redeemable Common Stock." The Company has been advised by Wedge that Wedge intends to require that the Company repurchase for cash the shares of common stock of the Company held by it under the terms of the "put option" described above.

The Company believes that current reserves of cash and short-term investments, access to existing credit arrangements and internally generated cash from operations provide sufficient resources to finance the cash requirements in 1992, including the budgeted capital expenditures described below. The Company, however, has been actively seeking to expand the sales of its oilfield equipment and its drilling and workover services into foreign markets directly and through joint ventures. During the first quarter of 1992 progress was made towards establishing distribution channels in the Commonwealth of Independent States, China and South America. The continued expansion of the Company's operations outside the United States will likely require the expenditure of significant funds in order to establish personnel and offices where needed and, in the case of marine drilling, to refurbish and relocate rigs to other geographic locations around the world. In that regard, depending upon the nature and scope of such activities, the Company could require additional financings in the form of debt, equity or combinations thereof to pursue such opportunities.

Capital Expenditures

Capital expenditures by the Company for the oilfield equipment and drilling and workover services segments during the first quarters of 1992 and 1991 totaled $1.1 million and $5.4 million, respectively. Capital expenditures for the 1991 period included approximately $1.5 million attributable to the refurbishment of one of the Company's rigs to Nigeria and approximately $1.2 million related to the relocation and integration of the assets and business of the Hughes Tool Company's tool joint division with those of Grant TFW. Capital expenditures for the oilfield equipment and drilling and workover services segments are budgeted at $8.2 million and $1.8 million, respectively, for the remainder of 1992. In addition to the capital expenditures budgeted for the balance of 1992 for the oilfield equipment segment, the Company has estimated up to $5 million for the relocation costs of assets acquired in the

Atlas Bradford acquisition and for the related modification of the existing Grant TFW facility to accommodate the Atlas Bradford operations.

The Company continues to explore other opportunities to expand the drilling and workover services segment's operations into foreign markets. Should such activities prove successful, additional capital expenditures would be required above the currently budgeted amounts for 1992.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

		Page
11.1	Computation of Earnings Per Share	15

(b) Reports on Form 8-K

The Company filed no reports on Form 8-K during the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENERGY VENTURES, INC.

By: P. Blake Dupuis
P. Blake Dupuis
Vice President, Finance
(Principal Financial Officer)

By: Frances Powell
Frances R. Powell
Controller
(Principal Accounting Officer)

Date: May 13, 1992

EXHIBIT 11.1

ENERGY VENTURES, INC. AND SUBSIDIARIES
EARNINGS PER SHARE

	Three Months Ended			
	March 31, 1992		March 31, 1991	
	Primary	Fully Diluted	Primary	Fully Diluted
	(in thousands, except per share amounts)			
NET INCOME	$ 554	$ 554	$1,386	$ 1,386
ADJUSTMENT TO WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Weighted average number of shares outstanding	12,058	12,058	10,825	10,825
Dilutive effect of outstanding options as determined by the application of the Treasury Stock Method	46	46	140	150
Weighted average number of shares and common equivalent shares outstanding	12,104	12,104	10,965	10,975
EARNINGS PER SHARE, assuming conversion of common stock equivalents	$ .05	$ .05	$ .13	$ .13

• This calculation is submitted in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 14 of APB Opinion No. 15 because it results in dilution of less than 3%.

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

RECD S.E.C.
MAY 15 1992
136

For Quarter Ended March 31, 1992
Commission File Number 0-18466

ENVIRONMENTAL SERVICES OF AMERICA, INC.

(Exact name of registrant as specified in its charter)

PROCESSED BY
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MAY 18 [illegible]
Microfilmed by
Q-Data Corp. - St. Petersburg, FL
L3Q

Delaware	87-0377081
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

119 Paris Street, Newark, New Jersey 07105-3831
(Address of principal executive offices) (Zip Code)

MAY 15 1992
151

Registrant's telephone number, including area code (201) 589-3850

BEST COPY AVAILABLE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

2,988,486
(Number of shares of common stock of the registrant outstanding as of May 13, 1992)

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements.

Environmental Services of America, Inc. and Subsidiaries Consolidated Financial Statements For the Three Months Ended March 31, 1992 (unaudited).

INDEX TO FINANCIAL STATEMENTS

	Page #
Index to Financial Statements	F-1
Consolidated Balance Sheets - March 31, 1992 (Unaudited) and December 31, 1991	F-2
Consolidated Statements of Operations - for the three months ended March 31, 1992 and 1991 (Unaudited)	F-3
Consolidated Statements of Cash Flows - for the three months ended March 31, 1992 and 1991 (Unaudited)	F-4
Notes to Consolidated Financial Statements	F-(5-7)
Pro Forma Condensed Statements of Operations - for the three months ended March 31, 1992 and 1991 (Unaudited)	F-(8-10)
Notes to Pro Forma Condensed Statements of Operations	F-11

ENVIRONMENTAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,853,540	$ 1,741,036
Accounts receivable (net of allowance for doubtful accounts of $267,271 and $102,016 at March 31, 1992 and December 31, 1991, respectively)	5,103,169	4,339,694
Prepaid expenses and other current assets	501,469	527,597
Total current assets	7,458,178	6,608,327
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization	3,348,340	2,223,910
OTHER ASSETS:		
Excess of cost over fair value of net assets of businesses acquired	1,226,487	1,234,972
Other	158,928	164,772
	1,385,415	1,399,744
Total assets	$12,191,933	$10,231,981

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992 (Unaudited)	December 31, 1991
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 3,364,730	$ 2,647,009
Current portion of long-term debt	737,177	246,372
Income taxes accrued	--	73,696
Total current liabilities	4,101,907	2,967,077
LONG-TERM DEBT:		
Notes payable, net of current maturities	766,502	371,198
Total long-term debt	766,502	371,198
Total liabilities	4,868,409	3,338,275
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value - authorized 2,000,000 shares:		
"Series A" - 5% cumulative, convertible; 4,000 shares issued and outstanding	40	40
"Series B" - 6% cumulative, convertible; 12,000 shares issued and outstanding	120	120
Common stock, $.02 par value - authorized 10,000,000 shares; 2,988,488 and 2,927,063 shares issued and outstanding	59,770	58,542
Paid-in capital in excess of par	5,152,033	4,903,261
Retained earnings	2,111,561	1,931,743
Total stockholders' equity	7,323,524	6,893,706
Total liabilities and stockholders' equity	$12,191,933	$10,231,981

See accompanying notes

ENVIRONMENTAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	For the Three Months ended March 31, 1992	For the Three Months ended March 31, 1991 (Restated)
Net sales	$ 4,982,815	$ 5,459,712
Cost of sales	2,845,804	3,537,481
Gross profit on sales	2,137,011	1,922,231
Selling, general and administrative expenses	1,665,416	1,306,677
Depreciation and amortization	152,845	92,217
	1,818,261	1,398,894
Income from operations	318,750	523,337
Other income (expenses):		
Net non-operating income (expenses)	10,219	22,745
Interest expense	(26,754)	(20,683)
	(16,535)	2,062
Income before provision for income taxes	302,215	525,399
Provision for income taxes	122,397	173,546
Net income	$ 179,818	$ 351,853
Earnings per common share	$ .04	$ .09
Weighted average number of common shares and equivalent shares outstanding	4,069,985	3,858,248

See accompanying notes

ENVIRONMENTAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	For the three months ended March 31, 1992	For the three months ended March 31, 1991 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 179,818	$ 351,853
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization...........	152,845	92,217
Decrease in accounts receivable.......	916,828	77,199
(Increase) decrease in prepaid expenses and other current assets.................	136,451	(28,632)
(Increase) decrease in other assets.....	5,844	(2,749)
(Decrease) in accounts payable and accrued expenses..........	(294,104)	(340,192)
Increase (decrease) in income taxes payable.............	(73,696)	268,604
Total Adjustments....	844,168	66,447
Net Cash Provided by Operating Activities...............	1,023,986	418,300
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment, net	$(220,623)	$(61,049)
Acquisition of Subsidiaries................	(307,632)	(281,000)
Net Cash (Used In) Investing Activities...........................	$(528,255)	$(342,049)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of long-term debt.................	13,015	125,118
Payments of long-term debt.................	(396,242)	(68,458)
Net Cash Provided by (Used in) Financing Activities...........................	$(383,227)	$ 56,660
NET INCREASE IN CASH AND CASH EQUIVALENTS..................	$ 112,504	$ 132,911
CASH AND CASH EQUIVALENTS - Beginning.........	1,741,036	1,668,164
CASH AND CASH EQUIVALENTS - Ending...........	$ 1,853,540	$ 1,801,075
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Income taxes.........................	$ 64,270	$ 470,624
Interest..............................	$ 26,754	$ 20,683

See accompanying notes

ENVIRONMENTAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 1 - Basis of Presentation:

In the opinion of the Company, all adjustments (which consist only of normal recurring accruals) necessary for the fair presentation of the balance sheet as of March 31, 1992 and the related statements of operations for the three month periods ended March 31, 1992 and 1991 have been included in the accompanying condensed consolidated financial statements. The results of operations for the three month periods ended March 31, 1992 and 1991 are not necessarily indicative of the results to be expected for the entire year.

The condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 1991, which is incorporated herein by reference.

Earnings per share of common stock is calculated based on the weighted average number of shares and equivalent shares outstanding during the period.

Note 2 - Acquisitions:

In March, 1992, the Company acquired all of the outstanding capital stock of TRI-S, Incorporated (previously an S-Corporation), an environmental company engaged in the business of cleanup and transportation of hazardous and non-hazardous waste materials. The purchase price of $1,194,211 included the following: (a) $350,000 in cash, (b) $454,826 of promissory notes (discounted at 8% from a face amount of $510,000), (c) issuance of 61,425 shares of the Company's common stock (valued at $250,000), and (d) acquisition costs of $139,385. Under certain circumstances the sellers may be entitled to receive additional consideration to a maximum of $1,140,000. The transaction was treated as a purchase for financial statement purposes. Accordingly, the financial statements include the operations of TRI-S beginning March 1, 1992.

Note 2 - Acquisitions: (continued)

On June 11, 1991, the Company completed an acquisition of 100% of the common stock of The Almega Corporation (previously an S-Corporation) in exchange for 448,500 shares of the Company's common stock. The Almega Corporation is an environmental engineering and consulting company specializing in air quality testing, sampling, measurement and monitoring, with offices in California, Illinois and Pennsylvania. The transaction was treated as a pooling-of-interests for financial statement purposes and, as such, the comparative financial statements have been restated to include the operations of Almega from January 1, 1991.

Note 3 -Letter of Intent - Business Combination:

On February 18, 1992, the Company executed a letter of intent with Advance Ross Corporation ("AROS") which provided for a business combination of the two companies based on an exchange of shares of AROS for shares of the Company. AROS is publicly traded on the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") and is included in the NASDAQ National Market System. AROS is engaged in the manufacturing and installation of electrostatic precipitators for air pollution control and has over $20 million in cash and cash equivalents with no debt. If the transaction is consummated in the manner contemplated, one share of AROS stock would be issued for each 3.0 shares of the Company's stock. Consummation of the transaction is subject to a number of conditions, including completion of due diligence, execution of definitive agreements and shareholder approval.

Note 4 - Bank Line of Credit:

In April, 1992, the Company entered into a line of credit agreement with United Jersey Bank in the amount of $2,800,000. Interest is payable monthly at the bank's short-term base lending rate. The credit line is secured by a security interest in the accounts receivable of the Company and its subsidiaries as well as the joint and several guarantees from the Company's subsidiaries. In connection with the line of credit, the Company is required to maintain free compensating balances in the amount of $300,000 as well as compliance with certain other covenants.

Note 5 - Income Taxes:

The provision for income taxes is based on elements of income and expense as reported in the statement of operations. Regarding the Company's acquisition of The Almega Corporation (see note 2), only the portion of Almega's operations after May 31, 1991 (date of termination of S-Corporation status) is included for Federal tax purposes.

ENVIRONMENTAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

PRO FORMA CONDENSED STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991

The following unaudited pro forma condensed statements of operations for the three months ended March 31, 1992 and 1991 gives effect to the acquisition of TRI-S, Incorporated (previously an S-Corporation) using the purchase method of accounting, by combining the amounts shown in the historical statements of operations of Environmental Services of America, Inc. with those of TRI-S, Incorporated with the assumption that the acquisition occurred on January 1, 1991. These pro forma statements should be read in conjunction with the historical financial statements and related notes thereto of Environmental Services of America, Inc. and TRI-S, Incorporated.

These pro forma condensed statements of operations are not necessarily indicative of operating results which would have been achieved had the acquisition occurred on January 1, 1991 and should not be construed as representative of future operations.

ENVIRONMENTAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

PRO FORMA CONDENSED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 1992

(UNAUDITED)

	Environmental Services of America, Inc. and Subsidiaries	TRI-S Incorporated	Pro forma Adjustments Increase (Decrease)	Pro Forma Combined
Net sales	$ 4,521,919	$ 1,493,521	$(954)(a)	$ 6,014,486
Cost of sales	2,663,891	856,732	(954)(a)	3,519,669
Gross profit on sales	1,858,028	636,789	--	2,494,817
Selling, general and administrative expenses	1,449,896	573,535		2,023,431
Depreciation and amortization	135,292	49,910		185,202
	1,585,188	623,445	--	2,208,633
Income from operations	272,840	13,344	--	286,184
Other income (expenses)	(12,325)	750		(11,575)
Income before provision for income taxes	260,515	14,094	--	274,609
Provision for income taxes	105,509	7,500	4,796 (b)	117,805
Net income	$ 155,006	$ 6,594	$(4,796)	$ 156,804
Earnings per common share	$ .04			$ .04
Weighted average number of common shares and equivalent shares outstanding	4,061,885			4,123,310

See notes to pro forma condensed statements of operations

ENVIRONMENTAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

PRO FORMA CONDENSED STATEMENT OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 1991

(UNAUDITED)

	Environmental Services of America, Inc. and Subsidiaries	TRI-S Incorporated	Pro forma Adjustments Increase (Decrease)	Pro Forma Combined
Net sales	$ 5,459,712	$ 1,313,947	$ --	$ 6,773,659
Cost of sales	3,537,481	780,904	--	4,318,385
Gross profit on sales	1,922,231	533,043	--	2,455,274
Selling, general and administrative expenses	1,306,677	344,324		1,651,001
Depreciation and amortization	92,217	69,330		161,547
	1,398,894	413,654	--	1,812,548
Income from operations	523,337	119,389	--	642,726
Other income (expenses)	2,062	2,460		4,522
Income before provision for income taxes	525,399	121,849	--	647,248
Provision for income taxes	173,546	--	88,589 (c)	262,135
Net income	$ 351,853	$ 121,849	$(88,589)	$ 385,113
Earnings per common share	$ .09			$ .10
Weighted average number of common shares and equivalent shares outstanding	3,858,248			3,919,673

See notes to pro forma condensed statements of operations

ENVIRONMENTAL SERVICES OF AMERICA, INC. AND SUBSIDIARIES

NOTES TO PRO FORMA CONDENSED STATEMENTS OF OPERATIONS

(UNAUDITED)

1. Acquisition:

In March, 1992, the Company acquired all of the outstanding capital stock of TRI-S, Incorporated, an environmental company engaged in the business of cleanup and transportation of hazardous and non-hazardous waste materials. The purchase price of $1,194,211 included the following: (a) $350,000 in cash, (b) $454,826 of promissory notes (discounted at 8% from a face amount of $510,000), (c) issuance of 61,425 shares of the Company's common stock (valued at $250,000), and (d) acquisition costs of $139,385. The transaction was treated as a purchase for financial statement purposes.

2. Pro Forma Adjustments:

These pro forma statements include adjustments to the historical statements of operations in order to show the effect of the acquisition of TRI-S, Incorporated (previously an S-Corporation), had it occurred on January 1, 1991. The adjustments are summarized as follows:

(a) To eliminate intercompany sales and purchases.

(b) To reflect the effect of the assumed acquisition at January 1, 1991 on Federal and State income taxes for the period.

(c) To reflect the effect of the assumed acquisition of TRI-S, Incorporated at January 1, 1991 on Federal and State income taxes for the period and the effect of the 1991 acquisition of The Almega Corporation (previously an S-Corporation) on Federal and State income taxes for the period, had it been a C-Corporation.

3. Pro Forma Earnings per Common Share:

Pro forma earnings per share of common stock have been computed by dividing the weighted average number of shares and equivalent shares of Environmental Services of America, Inc. common stock assumed to be outstanding into the pro forma combined net income.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations.

Environmental Services of America, Inc. (the "Company"), a Delaware corporation, and subsidiaries are engaged in the business of providing for the identification, remediation, transportation and disposal of hazardous waste and non-hazardous waste, and providing hydrogeological and environmental consulting as well as consulting and air quality testing, analysis and monitoring for private and public entities. The Company's stock is listed on NASDAQ and trades in the NASDAQ National Market System under the symbol "ENSA".

The services provided by the Company fit generally within four categories: (i) environmental remediation services; (ii) hazardous waste management services; (iii) environmental consulting services; and (iv) air quality testing services. The following is a description of the services provided.

- ENVIRONMENTAL REMEDIATION: ENSI, Inc., which maintains offices in New Jersey and Pennsylvania, provides comprehensive environmental management, transportation and cleanup services to generators and handlers of hazardous waste materials primarily in the mid-Atlantic states. TRI-S, Incorporated ("TRI-S"), based in Ellington, Connecticut, performs similar services in the New England states.

- HAZARDOUS WASTE MANAGEMENT SERVICES: The Company's hazardous waste management services include waste treatment and resource recovery, transportation, and transfer, storage and disposal coordination. Such services are provided primarily by Northeast Environmental Services ("NES"), which operates a Part 373 (RCRA Part B) permitted treatment, storage and disposal facility located near Canastota, New York. Additionally, NES maintains offices in New Jersey and Pennsylvania. Transportation and disposal coordination are also provided, to a lesser extent, by ENSI, Inc, and TRI-S.

- ENVIRONMENTAL CONSULTING SERVICES: International Exploration, Inc. ("INTEX"), and TRI-S, with offices in Pennsylvania, New York, New Jersey and Vermont, offer specialized environmental professional services, hydrogeological and geophysical consulting services and remedial design engineering.

- AIR QUALITY TESTING SERVICES: Scott Environmental Technology, located in Plumsteadville, Pennsylvania and The Almega Corporation with offices in Bensenville, Illinois and Signal Hill, California operate jointly as National Air Network, Inc. ("NAN"). NAN performs air quality testing, monitoring, analysis and consulting services.

Management's discussion and analysis is based upon the unaudited consolidated financial statements of the Company and its subsidiaries for the three month periods ended March 31, 1992 and 1991, and include the accounts of the Company and its wholly-owned subsidiaries, after elimination of all significant inter-company balances and transactions. The financial statements for the three months ended March 31, 1991 have been restated to include the results of operations and cash flows of The Almega Corporation in those periods.

Effective March 1, 1992, the Company acquired TRI-S Incorporated. The acquisition was accounted for as a purchase, and, accordingly, the Company's consolidated statement of operations include the operating results of TRI-S, Inc. for the one month period ended March 31, 1992. Net assets of $1,194,211 were acquired and were recorded at their fair market value at the effective date of the acquisition.

Results of Operations:

The following table presents items in the Consolidated Statements of Operations for the three months ended March 31, 1992 and 1991 as a percentage of net sales:

	Percentage of Net Sales Three Months Ended March 31,	
	1992	1991 (Restated)
Net sales....................	100.0%	100.0%
Cost of sales................	57.1	64.8
Gross profit on sales........	42.9	35.2
Selling, general and administrative expenses	33.4	23.9
Depreciation and amortization	3.1	1.7
Income from operations.......	6.4	9.6
Net non-operating income.....	0.2	0.4
Interest expense.............	(0.5)	(0.4)
Income before provision for income taxes............	6.1	9.6
Provision for income taxes...	(2.5)	(3.2)
Net income...................	3.6%	6.4%

Net sales - The net sales for the three months ended March 31, 1992, were $4,982,815, a decrease of 8.7% as compared to the first quarter of 1991. Remediation services sales decreased from $2,856,409 to $1,646,406, a 42.4% decline from the first quarter of 1991. This change is due to a) 1991 sales included two major non-recurring contracts with combined revenues for the first quarter of $1,500,000; and b) softening of the market for remediation services.

The following table sets forth the sources of net sales attributable to the four service areas of the Company (rounded to the nearest $000s). The Company provides its services on an integrated basis, and in many instances, services in one area of its business support or lead to a project undertaken in another area. In the table below, revenues derived from a particular service as part of a multi-faceted project are attributed to the operating subsidiary which actually performs the service as the general contractor.

Services Segment	Three Months Ended March 31, 1992 Net Sales		Three Months Ended . March 31, 1992 Net Sales (Restated)		% Increase (Decrease) Three Months Ended March 31, 1992 Over 1991
Air testing, consulting and monitoring............	$1,138,000	22.8%	$ 857,000	15.7%	32.8%
Hazardous waste management...............	1,773.000	35.6%	1,204,000	22.1%	47.3%
Environmental remediation..............	1,647,000	33.1%	2,856,000	52.3%	(42.4%)
Environmental consulting...............	425,000	8.5%	543,000	9.9%	(21.7%)
Total......................	$4,983,000	100.0%	$5,460,000	100.0%	(8.7%)

Gross Profit on Sales - The Company's gross profit on sales was $2,137,011 or 42.9% of sales for the three months ending March 31, 1992 vs $1,922,231 or 35.2% of sales for the first quarter of 1991. The increase in the gross margin is attributable to the increase in direct labor hours billed, which generally have higher markups than subcontract and other direct material costs.

Selling, general and administrative expenses - Selling, general and administrative expenses increased $358,739 from $1,306,677 for the first three months of 1991 to $1,665,416 for the first three months of 1992. The change is attributable to increases in the sales staff and other administrative personnel.

Income from operations - Income from operations for the first quarter was $318,750 (6.4% of net sales) compared with $523,337 (9.6% of net sales) for the comparable period in 1991. The changes in income from operations, both in amount and as a percentage of sales, reflect the decreases in sales, as well as, increases occurring in indirect expenses as discussed above.

Interest expense - Interest expense increased from $20,683 in the first quarter of 1991 to $26,754 in the first quarter of 1992. Interest expense was higher in the first quarter of 1992 due to the addition of $4,407 of interest expense of TRI-S, Inc., acquired as of March 1, 1992.

Net income and earnings per share - For the three months ended March 31, 1992, net income was $179,818 ($.04 per share), compared to net income of $351,853 ($.09 per share) for the three months ended March 31, 1991. The decrease in net income is due to the decline in sales over the same period in 1991, coupled with the increase in indirect operating expenses.

Liquidity and Capital Resources:

During the three month period ended March 31, 1992, long-term debt (net of current portion) increased by $395,304 to $737,177. The increase is attributable to the acquisition of TRI-S, which added $448,575 to long-term debt, including notes issued in connection with the acquisition and existing notes payable of TRI-S. Shareholders' equity increased by $429,818 which is attributable to (a) net income retained of $179,818, and (b), $250,000 of common stock issued in conjunction with the acquisition of TRI-S.

The Company's cash position consists of cash, short-term bank deposits and cash restricted for closure and transporter permits. At March 31, 1992, the Company's current ratio was 1.82 to 1.00, as compared to a current ratio of 2.23 to 1.00 at December 31, 1991.

Accounts receivable at March 31, 1992 was $5,103,169, an increase of $763,475 from December 31, 1991. TRI-S, Incorporated, had accounts receivable of $1,667,073 at March 31, 1992.

The Company believes that cash generated from operations and working capital on hand at March 31, 1992 will satisfy the Company's operating cash needs through the current fiscal year. In April 1992, the Company finalized a $2,800,000 line of credit, which will be used for the estimated $1,000,000 expansion to increase the capacity of the NES facility as well as to fund future acquisitions.

On February 18, 1992, the Company executed a letter of intent with Advance Ross Corporation providing for a business combination based upon the exchange of 2.25 shares of the Company's common stock for one share of Advance Ross Corporation's common stock. Subsequently, the exchange was revised to 3.0 shares of the Company's common stock for one share of Advance Ross Corporation common stock.

Advance Ross is engaged in the manufacture and installation of electrostatic precipitators for air pollution control. Advance Ross Corporation's sales for the year ended December 31, 1991 were $5,870,000. As of December 31, 1991, Advance Ross had total assets of $26,258,000 with working capital of $21,603,000. The company has no debt outstanding.

PART II - OTHER INFORMATION

Item 1 Legal Proceedings.

None

Item 2 Changes in Securities.

On April 15, 1992 the Company entered into a Loan and Security Agreement (the "Loan Agreement") with United Jersey Bank pursuant to which the Company established a $2,800,000 line of credit. Although no funds have yet been drawn on the line of credit, under the terms of the Loan Agreement the Company and its subsidiaries may not declare any dividends or redeem its stock (other than dividends required under the Company's outstanding preferred stock), except with the bank's consent. The Loan Agreement also requires that the Company maintain working capital of not less than $1.4 million, in addition to various other financial covenants.

Item 3 Defaults Upon Senior Securities.

None.

Item 4 Submission of Matters to a Vote of Security Holders.

None.

Item 5 Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

SEC Ref. No.	Exhibit No.	Document
4	4.01	Loan and Security Agreement dated April 15, 1992 by and between the Company and United Jersey Bank.

(b) Reports on Form 8-K.

On April 11, 1992 the Company filed a Current Report on Form 8-K dated March 19, 1992, reporting the Company's acquisition of the outstanding common stock of TRI-S, Incorporated. See note 2 to the Company's financial statements. The pro forma financial information required by item 7 of Form 8-K will be filed by the Company no later than June 3, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENVIRONMENTAL SERVICES OF AMERICA, INC.

Date: May 14, 1992

By: ____________________
Jon Colin, President and
Chief Executive Officer

By: Kathleen P LeFevre
Kathleen P. LeFevre, C.P.A.
Chief Financial Officer

Exhibit 4.01

LAU0410.LOAN&SEC.AGR

LOAN AND SECURITY AGREEMENT

This Loan and Security agreement is made this 15th day of April, 1992,

AMONG UNITED JERSEY BANK, a New Jersey banking corporation having its principal place of business at 210 Main Street, Hackensack, New Jersey ("Bank"),

AND ENVIRONMENTAL SERVICES OF AMERICA, INC., a Delaware corporation, having its principal place of business at 119 Paris Street, Newark, New Jersey ("Borrower"), and: The Almega Corporation; ENSI, Inc.; ENSI of Delaware, Inc.; ENSI of Pennsylvania Inc.; International Exploration Inc.; National Air Network, Inc.; and Northeast Environmental Services, Inc. ("Guarantor")

Purpose: This Loan Agreement is intended to set the terms of certain loans, and to provide security for existing and future financial accommodations, involving Bank, Borrower and the other parties to this Loan Agreement.

In exchange of the mutual covenants in the Loan Documents and other good and valuable consideration, receipt of which is hereby acknowledged, the parties to this Loan Agreement hereby agree to the following terms, conditions and provisions:

SECTION I - DEFINITIONS

1. Capitalized Terms. The capitalized terms in this Loan Agreement shall be defined as follows:

"Account(s)" means all of Borrower's and each Guarantor's existing and future-created or future-acquired accounts, receivables, rights of any kind to receive payment for goods sold or leased or for services rendered, contract rights, documents, bills, leases, rents, chattel paper, licenses, rights to refunds or indemnification, acceptance and other forms of obligations, tax refunds, insurance proceeds and all proceeds of the above including the right of stoppage in transit and all books, records, computer programs, tapes, discs, software and guaranties with respect to any of the above.

"Affiliate" means (a) any Person controlling, under common control with, or controlled by, any Obligor, whether that control is direct or indirect, (b) any Person in which any Obligor owns or controls any interest, whether that ownership or control is direct or indirect, (c) any employee, officer, shareholder, director, subsidiary or joint venture of any Obligor and (d) any relative of any individual mentioned in this definition.

"Approved Dating Account" means an Account that:

> (A) provides that payment in full is due in more than 30, but less than 180, days from the date of the original invoice; and
>
> (B) is evidenced by an invoice that recites that the subject goods are not returnable for credit more than 30 days after shipment; and
>
> (C) arises pursuant to a dating program that has been, and continues to be, approved in writing by Bank, in its absolute discretion; and
>
> (D) involves an account debtor that has been, and continues to be, approved in writing by Bank in its absolute discretion.

"Base" or "Base Rate" means the rate of interest that Bank adopts from time to time as its official base lending rate. The base rate is not tied to any external rate of interest or index and does not necessarily reflect the lowest rate of interest actually charged at any given time by Bank to any particular class or category of customers of Bank. Any change in the base rate shall be effective immediately when adopted by the Bank, without notice to any Obligor.

"Borrower" means each Person named as "Borrower" in the caption of this Loan Agreement and its or their successors or heirs and assigns. If there is more than one Borrower, the term "Borrower" shall refer to each Borrower unless the text expressly refers to "any Borrower" or "either Borrower".

"Capital Expenditure" means any expenditure for any fixed assets, improvements, replacements, substitutions or additions that have a useful life of more than one (1) year including the direct or indirect acquisition of such assets by way of increased product charges, offset items or otherwise, and capitalized leases.

"Collateral" means any property of any Obligor in which Bank has been, or may be, granted an interest to provide security for any Obligation including, (A) all Accounts, (B) all bank balances of each Obligor and (C) all proceeds and products of, and substitutions for, the foregoing.

"Date of Closing" means the date of the execution and delivery of this Loan Agreement.

"Eligible Receivable(s)" means any right of any Obligor to receive payment for goods sold or services rendered in the ordinary course of the Obligor's business that is and continues to be acceptable to Bank in all respects. Standards of eligibility may be fixed and revised by Bank, in Bank's reasonable discretion. In general, Bank will not deem an Account to be eligible unless it:

(A) is a valid, legally enforceable account receivable for a liquidated sum; and

(B) represents either (x) goods physically delivered to the invoiced account debtor or a common carrier or (y) services fully completed to the satisfaction of the invoiced account debtor, and in either case a receipt has been received by Obligor; and

(C) (i) provides that payment in full is due in less than 30 days from the date of the original invoice and has not remained unpaid, in whole or in part, for more than 90 days from the date of the original invoice or (ii) is an Approved Dating Account and has not remained unpaid, in whole or in part, for more than 30 days from the due date of the original invoice; and

(D) is subject to no set-offs, credits, allowances, discounts or adjustments; and

(E) exceeds, and only to the extent it exceeds, all indebtedness owing from Obligor to the account debtor of such Account; and

(F) relates to no sale that was made on a bill-and-hold, guaranteed sale, sale-and-return, partial billing for partial shipment, sale on approval or consignment basis; and

(G) relates to no goods that have been returned and to no goods or services that are being disputed by the account debtor; and

(H) is owned solely by Obligor and pledged only to Bank; and

(I) involves no account debtor who has (i) its billing address outside of the United States and (ii) no legitimate business offices and no substantial assets in the United States; and

(J) involves no account debtor who is an Affiliate; and

(K) involves no account debtor who has outstanding and unpaid invoices that are ineligible under subparagraph (C) of this definition in amounts that, in the aggregate, exceed twenty-five percent (25%) of the total indebtedness owing, from time to time , from the account debtor to Obligor; and

(L) involves no account debtor who has outstanding invoices that exceed twenty-five percent (25%) of the total amount of otherwise Eligible Receivables.

"Event of Default" means any event of default listed in Section X.

"Guarantor(s)" means each Person named as "Guarantor(s)" in the caption of this Loan Agreement, Borrower and any other Person who at any time guarantees payment or performance of any Obligation to Bank, and their successors or heirs, and assigns.

"Guaranty" means the provisions of Section 6.4 and any other agreement pursuant to which any Guarantor has guaranteed, or may in the future guaranty, any Obligations.

"Hazardous Substance(s)" means any pollutants and dangerous substances including radon, and any "hazardous wastes" or "hazardous substances" as defined in the Environmental Cleanup Responsibility Act (N.J.S.A. 13:1K-6 et seq.), the Spill Compensation and Control Act (N.J.S.A. 58:10-23.11 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. Sec. 6901 et seq.), the Comprehensive Environmental Responsibility Compensation and Liability Act Sec. 9601 et seq.), or any other state of federal environmental law or regulation.

"Instrument" means all of Borrower's existing, future-created and future-acquired "instruments" as that term is defined in the New Jersey Uniform Commercial Code.

"Letter(s) of Credit" means all existing or future letters of credit issued by Bank upon the application of any Obligor, or issued by any other institution upon the application of any Obligor and for which Bank has assumed any liability.

"Loan Agreement" means this Loan and Security Agreement.

"Loan Document(s)" means this Loan Agreement and all documents, notes, assignments, mortgages, guaranties, certificates and agreements of any kind listed, described or referenced on the Closing Memorandum annexed to this Loan Agreement as "Exhibit A" or otherwise executed in connection with this Loan Agreement.

"Loan Value of Eligible Receivables" means up to Seventy Percent (70%) of the face amount of eligible Receivables, less returns, discounts, credits and allowances of any nature.

"Obligation(s)" means all debts, liabilities, duties and obligations owing by any Obligor to Bank, whether direct or indirect, now existing or in the future created or acquired, contingent or non-contingent, due or to become due, liquidated or unliquidated all expenses of Bank to protect any Collateral or Bank's interest in any Collateral, Letters of Credit, commitments of any and all other debts and obligations relating to, or arising under, this Loan Agreement or any other Loan Document.

"Obligor(s)" means each Borrower and Guarantor, and every other Person who may now or in the future have any duties, debts or liabilities to Bank pursuant to any Loan Document.

"Opinion Letter" means the opinion letter from the Obligors' counsel in the form annexed as "Exhibit D" to this Loan Agreement.

"Permitted Encumbrance(s)" means (A) any lien or encumbrance in favor of Bank, and (B) any lien or encumbrance expressly referenced as a Permitted Encumbrance on "Exhibit E" annexed to this Loan Agreement.

"Person(s)" means an individual, corporation, partnership, limited partnership, joint venture, trust, joint stock company, unincorporated organization, association, governmental agency or political subdivision.

"Plan(s)" means each employee benefit plan maintained for employees of any Obligor, or any Subsidiary, as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended.

"Principal's Certificate" means the principal's certificate of this date given to Bank by the chief executive officer of Borrower.

"Revolving Loan" means the loans described in Section II.

"Revolving Loan Maximum" means TWO MILLION EIGHT HUNDRED THOUSAND and 00/100 DOLLARS ($2,800,000.00), less any reserves established by Bank from time to time, or such higher or lower amount that Bank may, in its sole discretion, establish in the future upon seven (7) days notice to Borrower.

"Revolving Note" means the revolving note of this date from Borrower to the order of Bank and any amendments or modifications. A copy of the Revolving Note is annexed to this Loan Agreement as "Exhibit C".

"Section" means a section of this Loan Agreement.

"Subordinated Debt" means any liability of any Obligor to any other Obligor, direct or indirect, now existing or in the future created or acquired, contingent or noncontingent including any and all liabilities listed as Subordinated Indebtedness on Exhibit 2 annexed to the Principal's Certificate but excluding salaries and reimbursed expenses that are in reasonable amounts and consistent with the terms of this Loan Agreement.

"Tangible Net Worth" means (x) total "assets" less (y) total "liabilities". For purposes of this definition "assets" and "liabilities" shall be determined in accordance with generally accepted accounting principles, except that there shall be excluded from the definition of "assets" all intangible assets including general intangibles, organizational expenses, patents, trademarks, service marks, copyrights, goodwill, covenants not to compete, research and development costs, treasury stock, prepaid expenses, monies due from principals and Affiliates, Accounts outstanding for more that twelve (12) months from the original invoice date, inventory that has not been sold within twenty-four (24) months of purchase or manufacture, equipment not in use for more than twenty-four (24) months and all unamortized debt, discounts and deferred charges, and any Subordinated Debt shall be excluded from the definition of "liabilities".

"Term" means the duration of this agreement as set forth in Section 5.5.

"Termination Event" means a "reportable event" as defined in section 4043 (b) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the filing of a notice to terminate under section 4041 of ERISA or any other event or condition that might constitute grounds under section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer, any Plan.

"Working Capital" means "current assets" less "current liabilities". For purposes of this definition "current assets" and "current liabilities" shall be determined in accordance with generally accepted accounting principles, except that there shall be excluded from "current assets" prepaid expenses, monies due from principals and Affiliates, Accounts outstanding for more than twelve (12) months from the original invoice date, Inventory that has not been sold within twenty-four (24) months of purchase or manufacture and all unamortized debt, discounts and deferred charges, and any Subordinated Indebtedness shall be excluded from the definition of "current liabilities."

1.2 Interpretation. Unless otherwise specified, the following rules of construction shall apply to this Loan Agreement:

(A) The term "any" shall be construed as if followed by the phase "one or more"; the term "including" shall be construed as if followed by the phrase "without limitation" and the term "days" shall be construed as if preceded by the word "calendar", unless already preceded by the word "business".

(B) Singular words include the plural and plural words include the singular.

(C) Title headings and subheadings are for organizational purposes only and neither add to, nor limit, the meaning of any provision.

SECTION II - REVOLVING LOAN

During the term of this Agreement, and provided that no default has occurred (or, with the passage of time will occur) under any Loan Document or Obligation, the Bank will lend to Borrower such amounts and under such terms and conditions as set forth in the following:

3.1 Amount and Percentage. The aggregate amounts of all loans and extensions of credit under the Revolving Loan, as presently contemplated, will not exceed the lesser of the Revolving Loan Maximum or the Loan Value of Eligible Receivables.

3.2 Loans in Excess of Ratio. If, for any reason, the outstanding balance of the Revolving Loan at any time exceeds the Revolving Loan Maximum or the Loan Value of

Eligible Receivables described above, all sums advanced shall nonetheless constitute indebtedness under the Revolving Loan.

3.3 Discretionary Advances and Reserves. The parties understand and agree that Bank is under no duty to make any advance under this Revolving Loan if a default has occurred (or with the passage of time will occur) under the Loan Documents or Obligations and in such event will make only those loans as it deems advisable. In addition, Bank may in its absolute discretion, establish reserves against the Revolving Loan Maximum including reserves due to Letters of Credit or other commitments on behalf of any Obligor, taxes, liens or claims against any Obligor, non-creditworthy account debtors, disputed or non-verifiable Accounts and Accounts which are not properly shown as Eligible Accounts in a current aging report. Bank shall deposit each advance in an account in Borrower's name maintained at Bank for that purpose.

3.4 Revolving Note. The Revolving Loan shall be evidenced by the Revolving Note, a copy of which is annexed as Exhibit C and will be delivered to Bank on Date of Closing. Bank will endeavor to record all advances, interest and payments in Bank's records for the Revolving Loan. The failure of Bank to make any such record shall not alter or impair the rights and remedies of Bank if an advance has actually been made or the rights of Borrower if a payment has actually been delivered.

3.5 Calculation of Interest. Interest on the principal amount of the Revolving Loan shall be calculated at a floating rate equal at all times to the Base Rate. Interest shall be calculated on a 360-day year based on the number of days elapsed. After the end of each calendar month, Bank shall endeavor to mail to Borrower a statement setting forth the accrued interest of that month. That statement will be deemed to be correct unless Borrower has delivered to Bank specific written objections within ten (10) days of Borrower's receipt.

3.6 Payment of Interest. Interest on the principal balance of the Revolving Loan is due and payable on the first day of each month. Any interest not paid when due may, in Bank's discretion and without limitation of any other right or remedy in any Loan Document, be added to the principal amount outstanding under the Revolving Loan.

3.7 Letters of Credit. If Bank, in its discretion, issues or processes an application for a Letter of Credit, Bank shall be paid, upon demand, Bank's standard fees for those services that are then in effect. Bank shall also be paid, upon demand, all payments made, or expenses incurred, in connection with the processing of or payment under any

Letter of Credit. Bank may establish such reserves as it deems appropriate relating to any Letter of Credit and reduce the Loan Value of Eligible Receivables by the amount of those reserves.

3.8 Termination. The provisions of this Loan Agreement that provide for the making of advances under the Revolving Loan may be terminated (A) by Bank at any time after the occurrence of any Event of Default or otherwise upon ten (10) days written notice to Borrower, and (B) by Borrower upon (i) sixty (60) days written notice to Bank, (ii) payment in full of all Obligations and the applicable prepayment premium and (iii) delivery of an agreement to Bank's reasonable satisfaction from a creditworthy financial institution indemnifying and holding harmless Bank as to claims with respect to checks or other forms or payment that Bank has credited against Borrower's loan balance. Prepayments shall be made only by wire transfer of good, collected and investable funds, or by bank, cashier's or certified check, which payment shall be delivered by 12:00 noon on the payoff date and shall be made to the attention of the Commercial Finance Department. Prepayments received after 12:00 noon shall not be credited until the next banking day and prepayments made by cashier's or certified check shall include interest for three (3) additional days to reflect the period for collecting on the check. Prepayments shall be applied first to any expenses owing to Bank, then to interest and then to principal and, when applied to principal, shall be applied to installments in inverse order of their maturity.

SECTION IV - COVENANTS FOR REVOLVING LOAN

Borrower hereby agrees with respect to the Revolving Loan as follows:

4.1 Minimum Loan Values. Borrower shall maintain sufficient Eligible Receivables so that the sum of the Loan Value of Eligible Receivables, less any reserves established by Bank, is at all time greater than all indebtedness, including Letters of Credit, outstanding under the Revolving Loan.

4.2 Requirement for Advances. Borrower shall provide to Bank, on the day of any request for any advance, the following:

(A) executed Bank form of "Daily Report for Revolving Loan; and

(B) executed Bank form of "Schedule of Eligible Receivables"; and

(C) executed Bank form of "Remittance Report"; and

(D) if at any time requested by Bank, true copies of purchase orders.

4.3 Delivery of Proceeds to Bank. Subsequent to the occurrence of an Event of Default, Borrower and each Obligor shall, immediately upon receipt, deliver to Bank all proceeds of Accounts in the form received together with completed remittance reports. Pending that delivery, each Obligor shall hold all proceeds separate and apart in an express trust for Bank and shall not commingle them with any other property or funds. Bank may deposit those proceeds in a cash collateral account over which Bank alone shall have the power of withdrawal. Borrower and each Obligor hereby appoints Bank as its attorney-in-fact to endorse Borrower's and Obligor's name on any proceeds of Accounts for the purpose of depositing the same in that cash collateral account.

4.4 Calculation of Loan Balance. Domestic checks received by the Commercial Finance Department of Bank prior to 12:00 noon on any day shall be credited against the principal balance of the Revolving Loan on the same day. Domestic checks received by the Commercial Finance Department of Bank after 12:00 noon of any day shall be credited against the principal balance of the Revolving Loan on the next business day. Any proceeds of Accounts, other than domestic checks, shall be credited against the principal balance of the Revolving Loan when the Commercial Finance Department of Bank has received notification of its collection by Bank, provided, however, that if such notice is received after 12:00 noon of any day, Bank will credit the principal balance on the next business day. All such credits are given under the condition that final payment be made to Bank in cash or good and solvent credits. If final payment is not made to Bank in a timely fashion, Bank may rescind the amount of any credit. If proceeds of Accounts are delivered to any branch office of Bank, such proceeds shall not be deemed to have been received by Bank until the validated deposit slip and the reports required under Section 4.2 have been delivered by Borrower to the Commercial Finance Department at Bank's principal offices.

4.5 Collection Days. For the purpose of calculating interest on the Revolving Loan, interest shall continue to accrue on the amount of any domestic checks for five (5) business days after receipt by the Commercial Finance Department of Bank, notwithstanding that Bank may have earlier credited the amount of any check against the principal balance of the Revolving Loan. Any check received by the Commercial Finance Department of Bank after 12:00 noon shall be deemed to have been received by Bank on the next business day.

Interest shall continue to accrue on the amount of any proceeds of Accounts other than domestic checks, until final payment is actually made to Bank.

4.6 Monthly Aging Reports. By the seventh (7th) day of each month, Borrower shall provide to Bank (A) a fully completed and accurate aging report setting forth for each Account (i) the full name and address of the account debtor; (ii) the invoice date and number; (iii) the age calculated from the original invoice date to the end of the preceding calendar month in categories of 0-30, 31-60, 61-90, and over 90 days and, if there are Approved Dating Accounts, additional 30 day categories for any Approved Dating Accounts through the maximum age acceptable to Bank; and (iv) the amount due and owing as of the end of the preceding calendar month, and (B) a statement setting forth the date and identification number of the last reports submitted under Sections 4.2 (A) through (D) that were utilized in preparing that aging report, which report and statement shall be personally certified to be true and complete without qualification by the president of Borrower or by a person who is duly authorized by the president to make such representations on the president's behalf.

4.7 Bank Statement and Over-Advances. If Bank advises Borrower that the total loans and extensions of credit outstanding under the Revolving Loan exceed (A) the Revolving Loan Maximum, or (B) the Loan Value of Eligible Receivables, Borrower shall immediately pay that excess in cash to Bank. This provision shall not in any way limit Borrower's obligation to comply at all times with the minimum loan value requirements of Section 4.1.

4.8 Miscellaneous. Borrower agrees to each of the following:

(A) Assignments. If at any time requested by Bank, but in no event less than on a weekly basis, provide to Bank, upon demand, duly executed assignments of all Accounts on forms satisfactory to Bank.

(B) Documents. If at any time requested by Bank, provide to Bank original customers' invoices and original shipping or delivery receipts for all Eligible Receivables and other Accounts.

(C) Creditworthiness. Notify Bank, within two (2) days of receipt, of any information that is materially detrimental to the creditworthiness of any account debtor that owes Borrower, in the aggregate, in excess of One Percent (1%) of the total amount of the Eligible Receivables.

(D) Change in Receivables. Make no change in the terms of, nor redate, nor replace any Account, except as expressly permitted above.

(E) Special Account Debtors. Clearly identify in any aging or other report given to Bank, any Account for which the account debtor (i) is the United States government or any department, agency or division thereof, (ii) is insolvent, or is undergoing insolvency or bankruptcy proceedings, (iii) is a creditor of, or supplier to, Borrower or (iv) has its principal offices located outside of the United States.

(F) Dating Terms. Make no sales on extended dating terms for which payment of the face amount is due more than thirty (30) days from the original invoice, except for Approved Dating Accounts.

(G) FICA and Withholding. Within five (5) days after the due date for making deposits for F.I.C.A. and withholding taxes, deliver evidence satisfactory to Bank that such deposits have been made.

4.9 Monitoring and Collection. Borrower agrees as follows:

(A) Verifications. Bank, at any time, may make test verifications of any Accounts in any reasonable manner and name that Bank may choose, including by telephone call or letters, and Borrower shall lend all requested assistance to Bank.

(B) Notice to Account Debtors. Bank, at any time, may notify, or direct Borrower to notify, any account debtor of the interests granted to Bank under this Loan Agreement.

(C) Attorney-in-Fact. Borrower hereby appoints Bank, or any other person whom Bank shall designate, as the attorney-in-fact of Borrower with the full power in Borrower's or Bank's name, to (i) endorse Borrower's name on any checks, notes, acceptances, money orders, drafts or other forms of payment or security that may come into the possession of Borrower or Bank; (ii) notify the post office authorities to change the address for delivery of Borrower's mail to an address designated by Bank; (iii) receive, open and dispose of all mail addressed to Borrower; (iv) request verification of Accounts from account debtors; and (v) do all things reasonably necessary to carry out this Loan Agreement. This power, being coupled with an interest, is irrevocable so long as any Obligation remains outstanding.

SECTION V - PAYMENTS, PROCEEDS AND TERM

5.1 Manner of Payment. During the Term, an account shall be maintained at Bank with sufficient available balances to pay the full amount of all principal, interest and other charges on the first day when due under each Obligation. On or after the first due date for any payment Bank may, without any further authorization or notice, charge that account or any other account maintained by any Obligor, or make any advance under the Revolving Loan, for the full amount then due. All payments not so charged against an account shall be delivered to Bank in immediately available funds when due and, in any event immediately upon the earlier of demand or receipt of a statement from Bank, in United States currency. Any delay by Bank in submitting a statement of any amount due shall not relieve any duty to inquire as to the amount due and to make timely payment.

5.2 Payment on Non-Business Days. Any payment that is due on a Saturday, Sunday or a banking holiday under the laws of the State of New Jersey may be made on the next succeeding business day together with interest for each such additional day after the original due date.

5.3 Late Payments. If any payment is not received within ten (10) days from the date that payment is due, Bank may charge a "late charge" equal to the greater of (x) One Hundred Fifty and 00/100 DOLLARS ($150) or (y) Five Cents ($.05) of each dollar of principal, interest, charges and expenses overdue for the purpose of defraying the expense incident to handling the delinquent payment. This late charge shall be in addition to, and not in lieu of, any other right or remedy Bank may have as a result of a late payment.

5.4 Use of Proceeds. The proceeds of the Revolving Loan shall be used for general corporate and working capital purposes.

5.5 Term. The Term of this Loan Agreement shall commence as of the Date of Closing and, subject to the provisions hereof, shall expire at midnight on the date that all Obligations have been fully paid and no contingent Obligations are outstanding. The provisions of this Loan Agreement (except for certain lending provisions that may be terminated as provided in Section 3.10) and all collateral interests, shall remain in full force and effect while any Obligations remain outstanding.

5.6 Interest Limits. If the fulfillment of any provisions in any Loan document relating to the rate of interest is prohibited by, or in violation of, any applicable law in effect at the time payment is due, the interest rate shall be automatically reduced to the maximum rate then permitted by law. If for any reason Bank should receive as interest an amount that would exceed the highest applicable lawful rate of interest, that amount in excess of the lawful rate will be deemed to have been credited against principal and not against interest. This provision shall control every other provision in any Loan Document that is applicable to the calculation of interest.

SECTION VI - SECURITY, GUARANTIES AND SUBORDINATION

As security for the timely repayment of all indebtedness under, and the timely performance of each and every covenant and condition described in, each and every Obligation, the following interests and rights are hereby granted to Bank:

6.1 Grant of Interest and Assignments. Borrower and each other Obligor hereby grant to Bank a security interest in, and do hereby assign to Bank, all right, title and interest in and to all of the following described property:

(A) Accounts

(B) Proceeds and products of, and substitutions for, the foregoing;

(C) Insurance policies and proceeds relating to the foregoing;

(D) Deposit, bank or institutional accounts, certificates of deposit, money market accounts, securities and debentures of any Borrower or other Obligor maintained at, or on behalf of, Bank.

When each Obligor shall promptly pay the principal, interest and all other amounts due or to become due under every Obligation, and shall have performed and complied with all provisions to be performed or complied with under every Obligation to which such Person may be a party or a Guarantor, then the rights hereby granted and assigned shall terminate and cease. However, any claim or statement by a duly authorized officer or attorney of Bank that any Obligation remains unpaid or outstanding shall be sufficient evidence of the validity, effectiveness and continuing force and effect of any Obligation and the Collateral and other interests conveyed to Bank in any Loan Document or Obligation.

6.3 Property on Deposit. Each Obligor hereby grants to Bank a security interest in, and a right of setoff against, all of their respective property that is at any time in the possession of, deposited with, or in the custody of, Bank including all present and future deposit accounts of all kinds.

6.4 Guaranties. To induce Bank to make loans and extend credit to Borrower or any other Obligor, now or in the future, each Guarantor hereby agrees to the following:

(A) Each Guarantor, jointly and severally, hereby unconditionally guarantees full and prompt payment when due (and not just the collectibility) of all Obligations including all indebtedness of any Obligor arising in the future.

(B) Without incurring responsibility to any Guarantor and without impairing or releasing this Guaranty, Bank may, at any time and from time to time, without the consent of, or notice to, any Guarantor, do any of the following:

(i) change the terms of any Obligation including the principal amount, interest rate or the manner, place, time or terms of payment; or

(ii) extend, renew, recast, redocument or postpone any Obligation; or

(iii) sell, release, realize upon or otherwise deal with, in any manner and in any order, any Collateral; or

(iv) exercise or refrain from exercising any one or more rights or remedies against any Obligor or Collateral; or

(v) settle or compromise any Obligation; or

(vi) apply any proceeds of any Collateral received from any Obligor to reduce any Obligation.

(C) Each Guarantor waives and releases:

(i) every claim or defense relating to Bank's delay or forbearance in exercising any right or remedy including any delay or forbearance in the liquidation of any Collateral; and

(ii) every claim relating to any failure to properly document any Obligation or obtain or perfect any interest in any Collateral; and

(iii) notice of default, non-payment, presentment, demand, protest or dishonor relating to this Guaranty or any Obligation.

(D) So long as any Obligation remains unpaid or outstanding, each Guarantor agrees to allege, assert as a defense or exercise no right of subrogation resulting from any payment made pursuant to this Guaranty.

(E) This Guaranty may be terminated as to any Guarantor after at least sixty (60) days written notice to Bank provided, however, that the terminating Guarantor shall remain liable for all Obligations incurred through and until the effective date of that termination together with all interest and collection expenses that may thereafter accrue with respect to those Obligations.

(F) Upon the happening of any Event of Default, then, and in such event, and at any time thereafter, Bank may, without notice to any Obligor, make any Obligation immediately due and payable as to any Obligors, collect any Obligation in full from any one or more Obligors immediately upon demand and exercise any other right or remedy in any Loan Document.

(G) The settlement or release of claims by Bank in favor of any Obligor shall not reduce the amount due from any other Obligor under the terms of this Guaranty.

(H) This Guaranty is secured by all Collateral.

6.6 Subordination. To induce Bank to make loans and extend credit to Borrower or any other Obligor, now or in the future, each Obligor hereby agrees to the following:

(A) No Subordinated Indebtedness is to be paid, whether by way of loan or otherwise, and no security therefor is to be given or received, by any Obligor during the Term, with the exception of payment of regular monthly rent under any lease specifically approved by Bank in writing.

(B) No Obligor shall assign or subordinate any part of the Subordinate Indebtedness, except to Bank. Each Obligor shall, *immediately upon receipt*, deliver any payment or security received in contravention of this Section 6.6, in precisely the form received (but with an endorsement of the Obligor receiving the same when requested by Bank) for application on account of any Obligation and, until so delivered, shall be deemed received by that Obligor as trustee for Bank and shall be held separately by that Obligor as the property of Bank.

(C) As security for each Obligation, each Obligor hereby transfers, pledges and assigns to Bank all right, title and interest in and to the Subordinated Indebtedness together with any security at any time held or received therefor, If the amount of the Subordinated Indebtedness is less than the aggregate principal amount of all Obligations, Bank may, in any suit or proceeding to collect or enforce any Obligation, assert and prosecute its claim without joining each Obligor as a party.

(D) Each Obligor hereby represents and agrees that (i) any Subordinated Indebtedness described in Exhibit 2 annexed to the Principal's Certificate is presently owing, without counterclaim, defense or set-off; (ii) none of the Subordinated Indebtedness is or will be represented in a negotiable instrument, except such as have been endorsed and delivered to Bank simultaneously with the execution of this Loan Agreement; and (iii) no prior transfer or pledge of any interest in any Subordinated Indebtedness has been made, except to Bank.

(E) Without affecting any rights of Bank under this Section 6.6, Bank may, at any time and form time to time, without the consent of, or notice to, any Guarantor, take any of the actions described in Section 6.5 (B) (i)-(vi).

6.7 Other Collateral. Other interests granted to Bank to secure the Obligations, subject only to any Permitted Encumbrances relating to that particular property so encumbered, may be evidenced by agreements referenced on the Closing Memorandum annexed as Exhibit A.

SECTION VII - REPRESENTATIONS AND WARRANTIES

As of the Date of Closing and as of the time of each advance under the Revolving Loan, the Obligors represent, warrant and agree as follows:

7.1 Organization and Authority. Each corporate Obligor is a duly organized and validly existing corporation that is in good standing under the laws of its respective state of incorporation and is duly qualified and in good standing in each state in which its property or business subjects it to qualification requirements as a foreign corporation. Each Obligor has full power, authority, franchises, licenses and right to enter into and perform each of the Loan Documents to which it is a party and to carry on its business as now being conducted.

7.2 Authorization. Each of the Loan Documents has been duly authorized by all requisite corporate action and has been duly executed on behalf of all Obligors.

7.3 No Conflicting Agreements or Laws. Neither the execution nor the delivery of any Loan Document, nor the consummation of the transaction contemplated thereby, nor the fulfillment of, compliance with or performance of the terms and conditions therein, is prevented or limited by, conflicts with or will result in the breach or violation of, or a default under the terms or conditions of (A) any certificate of incorporation, partnership agreement, charter or other agreement to which any Obligor is bound, or (B) any order of any court or administrative agency applicable to any Obligor, or (C) to the best of Borrower's knowledge, any material law, rule or regulation applicable to any Obligor. No Obligor is, or by the execution, delivery or performance of any Loan Document will be, in default under, or in violation of, any of its obligations under any material agreement or undertaking to which that Obligor is a party or by which that Obligor is bound.

7.4 No Conflicting Litigation. There is no action or proceeding pending or threatened against any Obligor or involving any assets of, or ownership in, any commercial Obligor before any court, administrative agency or governmental authority that might (A) adversely affect any Obligor's ability to authorize or perform any Obligations, (B) involve the possibility of any judgment or liability that would result in any material adverse change in any obligor's business, properties or assets or in the value of Bank's interest in any Collateral, (C) adversely affect the enforceability of any Loan Document, or (D) involve possible or threatened claims totalling in excess of $250,000, except for any litigation that has been accurately and completely described on Exhibit 3 annexed to the Principal's Certificate.

7.5 Collateral Ownership. (A) The Obligors are the sole owners of, and holder of good and marketable title to all collateral.

7.6 Liens Against Collateral. All Collateral is now free and clear of any lien, claim, Charge, tax assessment, lease, assignment, pledge, security interest, judgment or encumbrance of any kind, except for any Permitted Encumbrances, and there are no judgments of record in the State of New Jersey or in any other state where any Collateral may be located against any name used within the past 20 years by any Obligor or by any Obligor's predecessor or successor in interest.

7.7 Location of Collateral and Offices. All records of all Accounts and other Collateral and the chief executive offices of Borrower are at all times maintained and for the past four months have at all times been maintained at the principal place of business of Borrower set forth in the caption of this Loan Agreement, except as set forth in the Schedule attached hereto.

7.8 Financial Information and Condition. The consolidated financial statement of Borrower and of the Guarantors dated December 31, 1991 and delivered to Bank truly sets forth the financial condition of Borrower and the Guarantors and the results of operations as of that date and there has been no material adverse change since then. All other statements, representations and warranties made by any Obligor to the Bank have been, and as of the Date of Closing are, accurate and complete and no information has been omitted that would make any of them misleading or incomplete. Immediately prior to, and after the making of each loan described in this Loan Agreement, Borrower was not, and will not be, (A) "insolvent" as that term is defined in N.J.S.A. 14A:1-2(k) (or any successor statute governing fraudulent transfers) or in 11 U.S.C.A. 101(31) or (B) left with "unreasonably small capital" or "debts beyond the debtor's ability to pay as such debts become due" as those phrases are construed under 11 U.S.C.A. 548(a)(2)(B) or any other applicable statute governing fraudulent transfers.

7.9 Environmental Matters. No Obligor has generated, stored, treated, discharged, handled, refined, spilled, released or disposed of any Hazardous Substances in violation of any applicable law or regulation, except as set forth on Exhibit 4 annexed to the Principal's Certificate. No Obligor has received any notice, or is on notice of, any claim, investigation, litigation or administrative proceeding, actual or threatened, of any order, writ or judgment that relates to any discharge, spill, handling, refining, release, emission, leaching or disposal of pollutants of any kind including any Hazardous Substances by, or on property owned or leased by, any Obligor. All permits that any Obligor is obligated to maintain under any environmental law or regulation have been obtained. In connection with any acquisition, sale, closing, transfer, change in control or merger of Borrower or any commercial Obligor or any commercial premises since December 31, 1983, either (A) the New Jersey Environmental Clean-up Act (N.J.S.A. 13:1K-6 et seq.) ("ECRA") was complied with by submitting a "Negative Declaration" as that term is defined in N.J.A.C. 7:1-3.3 or by completing a "Clean-up Plan" as that term is defined in N.J.A.C. 7:1-3.3, which Negative Declaration or Clean-up Plan has been approved,without condition or reservation, by the New Jersey Department of Environmental Protection, or (B) Borrower has delivered to Bank proof satisfactory to the Bank and its counsel that ECRA was inapplicable to that transaction.

7.10 Taxes. Each Obligor has filed all tax returns and reports required to be filed and has either paid all taxes that are due and owing (including penalties, deficiency assessments and interest) or provided adequate reserves in an escrow account maintained with Bank for that express purpose. All such returns and reports are accurate and complete in all respects.

7.11 Name and History. During the past twenty (20) years, no Obligor has (A) had, used or operated under any other name or trade name, (B) acquired any other organization or entity or a substantial portion of the assets of any other organization or entity, (C) merged, or been merged into, any other organization or entity or (D) controlled, directly or indirectly, any non-individual Person, except as set forth on Exhibit 5 annexed to the Principal's Certificate.

7.12 Principals. The names and respective interests and offices of all Persons who to the Borrower's knowledge directly or indirectly own or control Ten Percent (10%) or more of any class of stock of any corporate Obligor, are set forth on Exhibit 6 annexed to the Principal's Certificate.

7.13 ERISA. There has not occurred, and there are no circumstances that, with the lapse of time or giving or notice, may lead to the occurrence of, a Termination Event under any Plan.

7.14 Margin Stock. No Obligor is involved, as one of its important activities, in the business of extending credit for the acquisition of any "margin stock" (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System of the United States) and no proceeds of any loans under this Loan Agreement will be used to purchase, or to extend credit to others so that they may purchase, any such margin stock.

7.15 Contra Accounts. Except for amounts under $15,000 (to any single creditor) Borrower owes no indebtedness, nor has any other obligations of any kind, to any account debtor, except as set forth on Exhibit 7 annexed to the Principal's Certificate.

7.16 Government Accounts. No Accounts in excess of $15,000 are owing from the United States government or an agency thereof, except as set forth on Exhibit 8 annexed to the Principal's Certificate.

7.17 Bill-and-Holds. Borrower has invoiced, and will invoice no Accounts in advance of performance of services or shipment of all of the goods on any invoice, except as set forth on Exhibit 9 annexed to the Principal's Certificate.

7.18 Compliance with Loan Documents. Each Obligor is in full compliance with all terms and conditions of all Loan Documents.

7.19 Survival. All representations and warranties in any Loan Document shall survive both the closing of any loans and any independent investigation by Bank.

SECTION VIII - AFFIRMATIVE COVENANTS

Each Obligor agrees to observe and perform the duties and covenants imposed upon that Obligor under each Loan Document and Obligation and, in addition, to do all of the following so long as any Obligation remains unpaid:

8.1 Protection of Collateral. Protect the value of Bank's interest in all Collateral including defending against all claims and demands of any Person claiming title to, a lien against or security interest or other interest adverse to Bank in, any Collateral.

8.2 Insurance. Maintain insurance as follows:

(A) casualty insurance written in the broadest "all risk" form available on a replacement cost basis and covering all tangible assets of Borrower and all Collateral including inventory and equipment in all locations. That insurance shall be in amounts at all times at least equal to the full insurable value of such assets and the Collateral, but in no event shall (i) the casualty insurance of inventory, equipment and leasehold improvements be less than $1,000,000, or (ii) the casualty insurance on all owned premises be less than $1,000,000; and

(B) public liability insurance in the name of Borrower, and any other commercial Obligor, including a contractual liability endorsement, in the amounts of $1,000,000 for the death or bodily injury to one person, $2,000,000 for the death or bodily injury in any one accident or occurrence and $500,000 for loss or damage to the property of any person or persons; and

(C) Hazardous Waste hauling insurance of at least $5,000,000 and pollution insurance of at least $1,000,000.

(D) worker's compensation insurance, as may be required by law; and

(E) all such insurance coverage may be effected under overall blanket or excess coverage policies provided, however, that all insurance shall be in amounts sufficient to prevent the insured from being a co-insurer within the terms of any insurance policy;and

(F) all policies or endorsements shall (i) name "Bank and its successors and assigns as their interests may appear" as "additional insured" as to all insurance and "loss Payee" as to all casualty insurance, (ii) contain an endorsement stating that, as to the interest of Bank, such policy or policies "shall not be impaired, invalidated or affected by any statement, act or neglect of any insured, loss payee or other Person or by any failure to make any report to the insurer or by the institution of any foreclosure or other proceeding to execute upon any lien", and (iii) contain a provision stating that such policy or policies "shall not be cancelled or modified except after thirty (30) days prior written notice delivered to Bank (attn: Commercial Loan Department)" at Bank's address first listed above or as subsequently directed in writing by Bank; and

(G) all policies of insurance shall be in a form reasonably acceptable to Bank and shall be issued by insurers duly licensed and authorized to conduct that type of insurance business in New Jersey. Bank shall have the right, at any time, to reject insurance provided by an insurance company that does not at all times have a policy-holders' rating of "A", or better, and financial rating of "AAA", or better, in the then current edition of Best's Insurance Guide; and

(H) all policies of insurance or satisfactory endorsements thereof, together with a paid receipt, shall be deposited with Bank prior to the Date of Closing and, at least thirty (30) days prior to the expiration of any such policies, Borrower shall furnish paid receipts and other evidence, satisfactory to Bank, that all such policies have been renewed or replaced; and

(I) all insurance proceeds and proceeds

relating to any of the insurance described in Sections 8.1(A) to 8.2(E) above, and any condemnation proceeds or other governmental awards relating to any Collateral, may be adjusted only after obtaining the prior written consent of Bank, shall be paid directly to Bank and, at Bank's option, may be applied to reduce all or part of any Obligation or to replace or repair any or all Collateral or other property of any Obligor.

8.3 Financial Information. Deliver financial information and documents as follows:

(A) within forty five (45) days after the end of each of the first three (3) quarterly periods of each fiscal year, a consolidating financial statement of Borrower and each commercial Guarantor and their respective subsidiaries, if any, certified to as correct by the chief executive officer of the Borrower as of the close of each such period together with related consolidating statements of operations and changes in financial position for such period, setting forth in each case in comparative form the corresponding figures for the corresponding period of the preceding fiscal year; and

(B) within ninety (90) days after the close of each fiscal year, a consolidating balance sheet and financial statement of Borrower and each commercial Guarantor and their respective subsidiaries, if any, as of the close of each such fiscal year together with the related consolidating statements of operations, retained earnings and changes in financial position for such fiscal year, prepared on a certified basis without qualification by independent certified public accountants including their certificate and accompanying management letter and other comments; and

(C) simultaneously transmit to the Bank all quarterly and annual reports (e.g. 10Q and 10K) required to be filed with the Securities and Exchange Commission; and

(D) simultaneously with the submission of each financial report as stated above, a certificate of the chief executive officer of each commercial obligor that the signer (i) believes that the financial report is true and complete, (ii) has no knowledge of the existence of any condition or event that constitutes a default under any Loan Document or other Obligation, and (iii) if any default existed or exists, specifying the nature and period of existence and what, if any, remedial action is being taken; and

(E) Simultaneously with the submission of each tax report of any nature including without limitation, withholding and unemployment taxes, a certified true copy of said report; and

(F) such other information including, without limitation, tax filings and reports respecting the business and properties or the condition or operations, financial or otherwise, of any Obligor or any Affiliate as Bank may, from time to time, reasonably request.

8.4 Notices to Bank. Notify Bank immediately in writing of any event if in the reasonable opinion of Borrower such event would have a material adverse effect on the business of Borrower or on the use of the collateral and: (A) of any claim, lien or investigation involving possible or threatened claims or liability in excess of Fifty Thousand Dollars ($50,000) relating to any property owned or leased by any Obligor including any Collateral; (B) any default, or threatened default, under any real property lease to which Borrower is a party, or under any agreement to which any Obligor is a party, involving actual or threatened claims or liability in excess of Fifty Thousand Dollars ($50,000); (C) if any Obligor becomes involved in any actual threatened litigation involving actual or threatened claims or liability in excess of Fifty Thousand Dollars ($50,000); (D) the occurrence of any theft, fire or other casualty, or any governmental taking, involving any Collateral or commercial property of any Obligor having a value in excess of Fifty Thousand Dollars ($50,000); (E) on receipt of any information, notice or claim, or upon learning of any investigation, as to any alleged use, storage, treatment or handling, discharge, spill, emission or disposal of, any Hazardous Substance by, or on any property owned or leased by, any Obligor which is not in compliance with paragraphs 7.9 and 9.3; and (F) upon learning of any circumstances or transactions that would require compliance with ECRA by any Obligor or in connection with any property of any Obligor.

8.5 Further Assurance. Execute appropriate Uniform Commercial Code financing statements listing Borrower or any other Obligor as debtor and Bank as secured party, furnish further assurances of title and security and estoppel certificates when requested by Bank and otherwise do anything that Bank in its discretion determines to be reasonably necessary or desirable to establish, perfect, assure and maintain Bank's interest in any Collateral, the reasonable cost of so doing to be paid by Borrower. Each Obligor hereby authorizes and appoints Bank as its attorney-in-fact to execute and file on behalf of any Obligor Uniform Commercial Code financing statements and assignments thereof, and to execute and file or record any instrument, financing statement, assignment, document, agreement, mortgage or pledge that Bank may determine to be reasonably necessary to establish, perfect or maintain its security interests, assignments or liens pursuant to any Loan Document. Each Obligor shall also, within five (5) days of request, deliver to Bank a notarized statement of the indebtedness owing under each Obligation.

8.6 Complete Records. Maintain accurate, current and complete records of all financial affairs and transactions and of all Collateral satisfactory to Bank.

8.7 Location of Collateral and Offices. Maintain at the principal place of business of Borrower set forth in the caption of this Loan Agreement all records of Accounts and other Collateral.

8.8 Possession of Collateral. Retain exclusive possession and control of all Collateral.

8.9 Inspection of Collateral and Records. Arrange, immediately upon demand, for Bank's agents, employees or representatives to inspect any Collateral and any books and records and commercial premises of any Obligor.

8.10 Bank Accounts. (a) Keep and maintain all existing and future checking, cash collateral, savings, payroll, tax reserve and other deposit accounts with Bank, except for those local banking relationships of which Bank shall be notified in writing; and (b) the Borrower shall maintain at all times a Direct Depository Account with the Bank which account shall maintain a cleared balance of no less than $400,000.

8.11 Tangible Net Worth. As to Borrower, at all times maintain a Tangible Net Worth of not less than the following amounts:

$4,750,000.00

8.12 Working Capital. As to Borrower, at all times maintain Working Capital of not less than the following amounts:

$1,400,000.00

8.13 Quick Ratio. As to Borrower, at all times maintain a ratio of current assets to current liabilities of at least 1.25 to 1.

8.14 Debt/Net Worth. As to Borrower, at all times maintain a ratio of Debt to Tangible Net Worth of no greater than 1.2 to 1. For purposes of this Section 8.14, subordinated debt shall be excluded from "debt" and shall be included in "Tangible Net Worth".

8.15 Taxes and Laws. Pay all taxes, assessments, government charges and levies when due and comply with all federal, state and local laws and regulations that are applicable to any Obligor or the business of any Obligor and provide proof of such payment and compliance as Bank may request.

8.16 Bank's Expenses. Pay all reasonable fees, costs and expenses incurred by Bank and its counsel in connection with the preparation or later modification of any Loan Document (whether or not any loan is actually consummated or modification is made) and the making, closing and monitoring of the loans contemplated thereby, including appraisal fees, lien and title searches, copying costs, delivery and postage charges and all filing and recording costs.

8.17 Indemnification. Each Obligor assumes all liability for, and agrees to indemnify, protect and save harmless Bank, its agents and employees from and against all liability (including liability in tort, whether absolute or otherwise), obligations, losses, penalties, claims, suits, costs and disbursements, including reasonable legal fees and disbursements, in any way relating to, or arising out of, any relationship with any Obligor, or any Obligation or Collateral, except where such liability etc has been caused by the Bank's gross negligence or wilful misconduct. This provision shall survive the termination or expiration of this Loan Agreement.

8.18 Closing Requirements. Upon demand comply with all closing requirements of Bank and its counsel, whether or not requested at the closing including the delivery of the Opinion Letter, in form and substance reasonably satisfactory to Bank and its counsel.

8.19 Tri-S. Within 90 days of the execution of this Agreement, Borrower shall cause its wholly-owned subsidiary, Tri-S Incorporated ("Tri-S") to become a party to this Agreement as a Guarantor. Borrower shall cause Tri-S to execute such agreements, certificates or other documents and to furnish such information as may be necessary as Bank may reasonably determine.

SECTION IX - NEGATIVE COVENANTS

Each Obligor covenants with Bank not to do, or permit to be done, any of the following without the express prior written consent of Bank, which consent may be granted or withheld by Bank in its reasonable discretion:

9.1 Impairment of Collateral. Take or permit any action that may impair the value or security of any Collateral including to sell, assign, mortgage, convey, remove, pledge, grant a security interest in, or release its interest in, or suffer any lien against, any Collateral, except as may be expressly and specifically permitted in this Section IX and except for any Permitted Encumbrances.

9.2 Leases. Materially modify, exercise any purchase or renewal option under, or commit or suffer a default under, any real property lease or equipment lease.

9.3 Hazardous Substances. Generate, store, treat, discharge, refine, handle, release or dispose of any Hazardous Substances except (A) in accordance with all applicable laws and regulations, or (B) standard maintenance uses of small quantities of safe common cleaning agents.

9.4 Other Liabilities. As to Borrower, incur liabilities, whether direct or indirect, contingent or non-contingent, in any fiscal year aggregating in excess of $10,000 except (A) indebtedness to Bank; (B) indebtedness for the purchase of Inventory, supplies and services in the ordinary course of business according to the custom of the trade; (C) pursuant to existing real property leases and equipment leases and other agreements that have been previously delivered to, and specifically approved in writing by the Bank; and (D) purchase money financing for new purchases of equipment in excess of $100,000 so long as (i) those purchases are consistent with any limitations in this Loan Agreement, (ii) the amount financed is no greater than the unpaid balance of the purchase price of that equipment and (iii) Borrower provides to Bank, in writing, the terms of financing offered by the purchase money lender and affords Bank at least 10 days to determine whether to provide that financing under substantially the same terms, which terms, if offered by Bank, shall be binding on Borrower.

9.5 Ownership And Organizational Changes. Permit or effect any of the following:

(A) any shares of the control stock of any Guarantor to be sold, transferred, conveyed, assigned, pledged, hypothecated, or otherwise encumbered by or alienated from its present owner, other than to another Obligor; or

(B) any Person, other than the Persons listed on Exhibit 6 to the Principal's Certificate, to become the owner of greater than 20% of the outstanding shares of any class of the Borrower's capital stock, such percentage to be determined on the basis of shares actually outstanding and actually held;

(C) any Person listed on Exhibit 6 to the Principal's Certificate, other than Environmental Venture Fund, L.P., to become the owner of greater than 25% of any class of the Borrower's capital stock, such percentage to be determined on the basis of shares actually outstanding and actually held;

(D) any corporate Obligor to declare any cash or stock dividends of any kind or redeem its stock, except for those dividends required under Borrower's existing preferred stock issue; or

(E) any material change in the capitalization or capital structure of any corporate Obligor, including the issuance of any new class of stock, the modification, reduction or retirement (except for the mandatory retirement of existing classes of preferred stock) of any existing class or type of stock or the changing or modifying of the voting power of any stock; or

(F) any material change in the incumbent senior management of Borrower or any corporate Obligor. For the purposes of this section, a "material change" in the senior management of Borrower shall be deemed to mean any change which results in the reassignment or termination of any two of the present senior officers (i.e. Jon Colin, Joseph Jacobsen or Kathleen LeFevre); or

(G) any corporate Obligor or its subsidiary to enter into any merger or consolidation or sell, lease or otherwise dispose of all, or a substantial portion, of its assets; or

(H) any Obligor to acquire all, or a substantial portion of, the assets of any commercial Person; or

9.6 New Line of Business. Permit Borrower to engage in any new line of business or business venture or change in any substantial respect its present method of business operations.

9.7 Other names. Use or adopt any name other than those set forth in the caption of this Loan Agreement unless, in advance of using any other name, Bank has been provided with appropriate fictitious or trade name certificates, UCC-1 financing statements and current judgment, tax and UCC-11 search reports for any name, to the reasonable satisfaction of Bank.

SECTION X - EVENTS OF DEFAULT

Any of the following events or conditions shall, at the option of Bank, constitute an "Event of Default" under this Loan Agreement and any other Loan Documents or Obligations:

10.1 Payments. Any failure to pay all principal, interest or other monies when due under the Revolving Loan or any other Obligation, whether due upon a stated maturity or upon demand; or

10.2 Other Obligations. Any failure to perform or observe any term or condition under any Loan Document or Obligation in a timely fashion, provided, however, any Obligor may effect a complete cure of any default of any non-monetary covenant in this Loan Agreement, other than any Event of Default listed in the other subsections of this Section X, within seven (7) days of the occurrence of the Event of Default so long as (A) in the reasonable judgment of Bank the default is curable in its entirety during that seven (7) day cure period and (B) this right to cure is not exercised more than one (1) time in any consecutive six (6) month period; or

10.3 Representations. Any representation, statement, information or warranty that is at any time made of delivered to Bank by or on behalf of any Obligor shall be incorrect, incomplete or misleading when made; or

10.4 Consents. Any Obligor shall do,or permit to be done, any act for which Bank's written consent is required under any Loan Document, without first obtaining such written consent; or

10.5 Financial Information and Inspections. Any Obligor shall fail, promptly after demand, to furnish financial information or to permit inspection of any books, records or Collateral as required under any Loan Document; or

10.6 Insurance. Any failure to maintain, or provide evidence of, any insurance coverage required under any Loan Document; or

10.7 Organizational Status. Any corporate Obligor shall dissolve or fail to remain in good standing in its state of incorporation or duly qualified in each state where its properties or business make qualification necessary, or any partnership Obligor shall dissolve; or

10.8 Warrants and Tax Liens. Any warrant of attachment or for distraint, or notice of tax lien shall be issued relating to, or encumbering, any Collateral or any assets of any Obligor that is not, within ten (10) days of entry, discharged, or stayed and bonded, to the satisfaction of Bank; or

10.9 Judgments. Any judgment shall be entered against any Obligor in excess of Ten Thousand dollars ($10,000), that is not, within fifteen (15) days of entry, discharged, or stayed and bonded, to the satisfaction of Bank or fully covered by insurance and the insurance company has, in writing, unconditionally accepted liability for that judgment; or

10.10 Insolvency. Any filing of a petition by or against any Obligor under any bankruptcy or insolvency law or an assignment by any Obligor of any property or assets for the benefit of creditors, or the failure of any Obligor to pay its debts in the ordinary course as those debts become due, or the calling of a meeting of creditors of any obligor to obtain any general financial accommodation; or

10.11 Seizure of Property. Any seizure by governmental authorities of, or the imposition of legal restraints against, any Collateral or other property of any Obligor that has an aggregate value in excess of One Thousand Dollars ($1,000), which is not, fully bonded to the reasonable satisfaction of Bank; or

10.12 Overdrafts. Any Obligor shall overdraw any checking or other account two (2) or more times during any calendar month or fails to cure any overdraft condition within twenty-four (24) hours of written or oral demand; or

10.13 Guaranty. Any Guarantor delivers to Bank a notice of termination with respect to any liabilities under the Guaranty; or

10.14 Enforceability. Any action or proceeding is instituted to obtain a ruling or judgment that any term or condition of any Loan Document, or any lien or interest in any Collateral that any Loan Document purports to give to Bank, is unenforceable in any respect; or

10.15 Termination of Plan. Any Termination Event occurs under any Plan that may involve a liability to any Obligor of One Thousand Dollars ($1,000) or more; or

10.16 Lien Defaults or Foreclosures. Any default or modification (without Bank's prior written consent) shall have occurred in any mortgage, assignment, encumbrance or agreement constituting a Permitted Encumbrance and any applicable cure period as to such default shall have expired, or proceedings shall have been instituted or actions taken for the foreclosure or enforcement of any mortgage, judgment, assignment or other lien or encumbrance affecting any Collateral; or

10.18 Misrepresentations. Any representation, warranty, statement, certificate, schedule or report made or furnished to UJB by the Borrower or its subsidiaries is false or misleading in any material respect as of the time made or furnished; or the Borrower or any Subsidiary otherwise makes any written misstatement of a material fact or fails or neglects to furnish UJB in a timely manner, a written statement as to any material facts or information that would be material to UJB in evaluating the Loan.

10.19 Change in Law. There is any material adverse change in any governmental laws, statutes, rules, regulations and judicial decisions relating to the collateral including without limitation, laws, statutes, rules, regulations, and judicial decisions relating to zoning, building, occupancy or environmental matters.

10.20 Default in Indebtedness. The Borrower or any Subsidiary fails to make any payments when due on indebtedness for money borrowed or an Event of Default exists under any of its other obligations.

10.21 Adverse Financial Change. Any adverse change in the creditworthiness or financial condition of any Obligor that, in the reasonable opinion of Bank, materially increases Bank's risk.

SECTION XI - REMEDIES

Whenever an Event of Default occurs, or at any time after Bank has, in its absolute discretion, made demand under the Revolving Loan and that Revolving Loan has not been immediately paid in full, Bank may, in addition to any right or remedy it may have at law or in equity, at its option, do any of the following in any order and at any time:

11.1 Acceleration. Declare any Obligations, including the Revolving Loan, immediately due and payable; or

11.2 Collateral For Contingent Obligations. As to any Obligations that are contingent and cannot by their nature be accelerated, including Letters of Credit, Bank may require any Obligor to deposit cash or a cash equivalent reasonably acceptable to Bank in an amount sufficient to cover principal, interest, fees and expenses that will have accrued by the maturity date of those Obligations, which cash or cash equivalent shall be held by Bank as Collateral under this Loan Agreement.

11.3 Terminate Financing. Immediately terminate the lending arrangements, reduce the lending ratios or Revolving Loan Maximum or establish reserves, under the Revolving Loan, provided, however, that this provision shall not limit the Bank's discretion to take any of these actions at any time whether or not an Event of Default has occurred as permitted under other provisions of this Loan Agreement; or

11.4 Repossession. Proceed with or without judicial process to take possession of all or any part of any Collateral and each Obligor agrees immediately upon receipt of notice from Bank to do everything requested by Bank to assemble, assign, transfer or deliver all Collateral to Bank and to provide Bank immediate access to Borrower's principal place of business and to every other place where any Collateral or any records of any Obligor may be stored or where any Obligor may conduct business; or

11.5 Collect Accounts. Direct any account debtor to make payment directly to Bank, to any agent or designee of Bank or to the name of Borrower at any address or lock-box designated by Bank; or

11.6 Sell Collateral. Sell, assign, lease, transfer and deliver all, or any part of any Collateral at a private sale or public auction for cash, upon credit or otherwise at such prices and upon such terms as Bank may deem advisable and any requirement of reasonable notice to any Obligor shall be met if notice is mailed, postage prepaid, to Borrower at the address set forth in the caption of this Loan Agreement at least five (5) days prior to the sale or other disposition and Bank may be the purchaser at any public sale of any Collateral free of any right of redemption, which right each Obligor hereby waives; or

11.7 Collateral Proceeds. Apply the proceeds of any sale, collection or other disposition of any Collateral first to all costs and expenses of sale or collection, including any attorneys' fees and disbursements and, then, to payment of any Obligation in whatever order Bank may, in its discretion, elect; or

11.8 Direct Recourse. Institute suit directly against any Obligor in any sequence to collect any Obligations without first foreclosing on or liquidating any Collateral or without first suing Borrower or any other Obligor; or

11.9 Deficiency. Hold any Obligor liable for any deficiency that may remain after the sale of any Collateral; or

11.10 Freeze or Set-Off. Immediately (and without notice) hold, apply, freeze or set-off, on account of any Obligation, funds on deposit with Bank in any account, fund or certificate maintained by any Obligor in any capacity, any monies that Bank may owe to any Obligor and any other monies or property, tangible or intangible, owned by any Obligor or in which any Obligor has an interest that may be in the possession or under the control of Bank; or

11.11 Other Creditor Remedies. Exercise any right or remedy available to a secured party under the Uniform Commercial Code or under any other law of any jurisdiction; or

11.12 Collection Expenses. Collect from any Obligor (A) all reasonable fees and disbursements of Bank's attorneys incurred in obtaining advice or representation relating to the collection or enforcement of any Obligation and (B) all expenses of, or in anticipation of, litigation including fees and expenses of witnesses, experts and stenographers and the cost to obtain or produce appraisals. All such collection fees and expenses shall be due and payable upon demand, shall incur interest at the highest rate in effect from time to time under any Obligation and shall be an Obligation secured by all Collateral; or

11.13 Other Expenses. At any time and from time to time, perform any duty or obligation of any Obligor under any Loan Document or Obligation and to take any other actions deemed by Bank to be reasonably necessary to protect Bank's interest in any Collateral or to avoid any risk of damage or loss to Bank including steps to comply with applicable environmental laws. All expenses of any nature incurred by Bank under this subsection shall be due and payable by each Obligor upon demand, shall incur interest at the highest rate in effect from time to time under any Obligation and shall be an Obligation secured by all Collateral. The exercise by Bank of its rights under this subsection shall not constitute a waiver of any Event of Default or of any right or remedy under any Loan Document; or

11.14 Increase in Interest. Increase the rate of interest under any Obligations to a fluctuating interest rate determined by Bank up to and including Five Percent (5%) above the Base Rate. Unless otherwise agreed by Bank, this increase in interest rate shall be retroactive to the date of the first occurrence of an Event of Default, shall be computed on the basis of a 360-day year and shall survive the entry of any judgment relating to any Obligation; or

11.15 Other Remedies. Exercise any other rights or remedies it may have under any Loan Document or Obligation.

SECTION XII - ADDITIONAL RIGHTS OF BANK

12.1 Remedies Without Default Declaration. Upon the occurrence of any Event of Default, Bank may exercise any of the rights and remedies in Sections 11.5, 11.12, 11.13 and 11.14 whether or not Bank has formally declared any Obligations to be in default or has determined to accelerate any Obligations. In addition, Bank may exercise any of the rights and remedies in Section 11.13, whether or not any Event of Default has occurred, if deemed by Bank to be reasonably necessary to protect or preserve the Bank's interest in any Collateral or to avoid any risk of damage or loss to Bank.

12.2 Environmental Audits. Should Bank have reason to believe that there are any Hazardous Substances on any commercial property occupied by any Obligor being handled in a manner contrary to SEction 7.9 or 9.3, Bank may require that Borrower or any other Obligor retain a qualified and licensed environmental engineer to conduct a full environmental audit of that property, which engineer and audit, including testing and sampling procedures, shall be reasonably acceptable to Bank and which audit report shall be delivered to Bank within thirty (30) days of Bank's initial request and shall be prepared at the Obligor's sole expense.

12.3 Security For Cleanup. If any investigation, environmental report or governmental investigation or order indicates that there may exist any damage or risk to any commercial property occupied by any Obligor or any liability of any Obligor relating to any Hazardous Substances or other environmental conditions, Bank may require any Obligor to furnish immediately an indemnity bond in an amount determined by Bank, in its absolute reasonable discretion, to be sufficient to pay all actual and estimated cleanup costs and to protect against any liens that may arise with respect to such potential cleanup costs. Bank's demand that any Obligor post any bond or other security shall not be a waiver of any Event of Default or any other right or remedy available to Bank.

SECTION XIII - MISCELLANEOUS PROVISIONS

13.1 Waiver. Bank shall not be deemed to have waived any rights or remedies under any Loan Document or Obligation by:

(A) forebearing or failing to exercise, or delaying in exercising, any rights and remedies; or

(B) forebearing or failing to insist upon, or any delay in insisting upon, the strict performance by any Obligor of any term or condition of any Loan Document or other Obligation; or

(C) granting any extension, modification or waiver of any term or condition of any Loan Document or other Obligation, except, and only to the extent, that the extension, modification, or waiver shall expressly provide; or

(D) any other act, omission, forbearance or delay by Bank, its officers, agents, servants or employees; or

(E) any waiver or any rights or remedies on any one occasion.

13.2 Collection Duties. Bank shall be under no duty or obligation to:

(A) preserve, protect or marshal any Collateral; or

(B) preserve or protect the rights of any Obligor against any person claiming an interest in any Collateral adverse to that of any Obligor; or

(C) realize upon any Collateral in any particular order or manner or seek repayment of any Obligation from any particular source; or

(D) permit any substitution or exchange of all or any part of any Collateral or release any part of any Collateral from any lien, even if that substitution or release would leave Bank adequately secured.

13.3 Written Modifications. No extension, modification, amendment or waiver of any term or condition of any Loan Document shall be valid or binding upon Bank, unless it is in writing and signed by a duly authorized officer of Bank.

13.4 Demands and Notices. All demands and notices under any Loan Document shall be in writing and shall be served either personally or by certified mail, return receipt requested, on the party to whom that notice or demand is to be given or made at the address first set forth in the caption to this Loan Agreement. All notices and demands directed to Bank shall be sent to the Commercial Loan Department (Attn:

____), with a copy of any such notice or demand to be sent to Bank's counsel Ruskin, Kors, Meltzer, Rubin & Starr, P.C., 921 Bergen Avenue, Jersey City, New Jersey 07306 (ATTN: Ira M. Starr, Esq.) Any party desiring to change the address to which notices or demands shall be sent shall notify the other parties of the new address by certified mail, return receipt requested. Any notice or demand properly sent by Bank via certified mail, return receipt requested, shall be deemed to have been served on the third business day after mailing, regardless of when it is actually received.

13.5 Governing Law. All terms of each Loan Document and the duties, rights and remedies of the parties thereunder shall be governed by, and construed according to, the laws of the State of New Jersey.

13.6 Jurisdiction. In any litigation relating to any Loan Document, each Obligor hereby consents to the personal jurisdiction of the state and federal courts of the State of New Jersey.

13.7 Partial Invalidity. If any term or provision of any Loan Document is held to be invalid by any court of competent jurisdiction, such invalidity shall not affect the remaining terms and provisions, which shall continue in full force and effect.

13.8 Successors and Assigns. Each Loan Document shall be binding upon, and inure to the benefit of, the parties thereto and their respective successors or heirs, and assigns. However, no Obligor shall be permitted to assign or transfer any rights or duties under any Loan Document without the express prior consent of Bank, which consent Bank may grant or withhold in its sole discretion.

13.9 Joint and Several Liability. Each Obligor shall be jointly and severally liable for all Obligations.

13.10 Additional Rights and Remedies. All rights and remedies given to Bank under any Loan Document shall be in addition to, and not in limitation of, any right or remedy that Bank may have, whether under any other provisions of any Loan Document or other agreement, or at law or in equity.

13.11 Incorporation By Reference . The terms and conditions of any Loan Document and the Bank's commitment letter of January 21, 1992 are incorporated herein by reference.

SECTION XIV - JURY TRIAL

IN ANY LITIGATION RELATING TO ANY LOAN DOCUMENT, BANK AND EACH OBLIGOR HEREBY WAIVE THE RIGHT TO TRIAL BY JURY. BANK AND EACH OBLIGOR ACKNOWLEDGE THAT THEY HAVE CONSULTED WITH THEIR RESPECTIVE COUNSEL SPECIFICALLY ON THE RAMIFICATIONS OF WAIVING THE RIGHT TO REQUEST TRIAL BY JURY PRIOR TO AGREEING TO THIS PROVISION.

Bank and each Obligor have caused this Loan and Security Agreement to be executed as of the day and year first above written.

OBLIGORS:

BORROWER:

ATTEST:

ENVIRONMENTAL SERVICES OF AMERICA, INC.
a New Jersey Corporation

By: ______________________
Name:
Title: President

ATTEST:

GUARANTORS:

THE ALMEGA CORPORATION

By ______________________

ENSI, INC.

By: ______________________

ENSI OF DELAWARE, INC.

By: ______________________

ATTEST:

ENSI OF PENNSYLVANIA INC.

By:

INTERNATIONAL EXPLORATIONS INC.

By:

NATIONAL AIR NETWORK, INC.

By:

NORTHEAST ENVIRONMENTAL SERVICES INC.

By:

BANK:

ATTEST:

UNITED JERSEY BANK

By:
Name: MARTIN J. CARROVI
Title: VICE PRES.

LOAN AGREEMENT

EXHIBIT E

ENCUMBRANCES

Northeast Environmental Services, Inc. currently has an obligation in the outstanding principal amount of approximately $184,000 to Richard Greene, the former owner of Haz-O-Waste Corporation, the assets of which were sold to Northeast Environmental Services, Inc. This loan is secured by an interest in the accounts receivable of Northeast Environmental Services, Inc. However, the UCC and lien search conducted by the Borrower has not shown a filing relating to this security interest.

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Q-34794

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92-2255

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

MAY 1 1 1992

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______

BEST COPY AVAILABLE

PROCESSED BY
11-11-V
MAY 18 1992

Commission file number 0-11877

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

ELXSI CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

77-0151523
(I.R.S. employer identification no.)

115 East Putnam Avenue Greenwich, Connecticut
(Address of principal executive offices)

06830
(Zip code)

Registrant's telephone number, including area code: (203) 661-9645

L3Q

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

On May 12, 1992, the registrant had outstanding 113,256,998 shares of Common Stock, par value $0.001 per share.

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

ELXSI CORPORATION
CONSOLIDATED BALANCE SHEET
(Dollars in Thousands)

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991
Current assets:		
Cash and cash equivalents	$ --	$ --
Accounts receivable	60	514
Inventories	340	352
Prepaid expenses and other current assets	260	345
Assets held for sale	677	--
Total current assets	1,337	1,211
Property, buildings and equipment, net	20,853	22,015
Intangible assets, net	2,211	2,114
Deferred debt costs, net	612	648
	$ 25,013	$ 25,988

The accompanying notes are an integral part of these consolidated financial statements.

ELXSI CORPORATION
CONSOLIDATED BALANCE SHEET (CONTINUED)
(Dollars in Thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992 (Unaudited)	December 31, 1991
Current liabilities		
Accounts payable and drafts payable	$ 984	$ 1,262
Accrued expenses	2,743	2,753
Capital lease obligations - current	12	12
Estimated liabilities related to restructuring	1,074	1,074
Total current liabilities	4,813	5,101
Capital lease obligations	759	762
Long-term debt	11,348	12,512
Other liabilities	450	450
Total liabilities	17,370	18,825
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, Series A Non-voting Convertible, par value $0.002 per share Authorized–5,000,000 shares Issued and outstanding--none	--	--
Common stock, par value $0.001 per share Authorized–160,000,000 shares Issued and outstanding--113,256,998 at March 31, 1992 and at December 31, 1991	113	113
Additional paid-in capital	231,031	231,031
Accumulated deficit	(223,501)	(223,981)
Total stockholders' equity	7,643	7,163
	$ 25,013	$ 25,988

The accompanying notes are an integral part of these consolidated financial statements.

ELXSI CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

(Amounts in Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Net sales	$ 8,880	$ --
Costs and expenses		
Cost of sales	7,129	--
General and administrative	514	126
Depreciation and amortization	316	--
Operating income (loss)	921	(126)
Other income (expense)		
Interest income	--	140
Interest expense	(383)	(101)
Income (loss) before provision for income taxes	538	(87)
Provision for income taxes	58	--
Net income (loss)	$ 480	$ (87)
Net income (loss) per common share	$ --	$ --
Weighted average number of common shares	128,257	115,411

The accompanying notes are an integral part of these consolidated financial statements.

ELXSI CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Amounts in Thousands)
(Unaudited)

	Common Stock Shares	Common Stock Dollars	Additional Paid-In Capital	Accumulated Deficit
Balance at December 31, 1991	113,257	$ 113	$ 231,031	$ (223,981)
Net income				480
Balance at March 31, 1992	113,257	$ 113	$ 231,031	$ (223,501)

The accompanying notes are an integral part of these consolidated financial statements.

ELXSI CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in Thousands)
(Unaudited)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Cash flows from operating activities:		
Net income (loss)	$ 480	$ (87)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	280	--
Amortization of deferred debt costs	36	--
Amortization of debt discount	11	10
(Increase) decrease in assets:		
Accounts receivable	454	--
Inventories	12	--
Prepaid expenses and other current assets	85	11
Increase (decrease) in liabilities:		
Accounts payable	(278)	(31)
Accrued expenses	(10)	90
Restructuring reserves	--	91
Net cash provided by operating activities	1,070	84
Cash flows from investing activities:		
Proceeds from sale of Restaurants	271	--
Purchase of property, building and equipment	(163)	--
Increase in deposit	--	(1,000)
Net cash provided by (used in) investing activities	108	(1,000)
Cash flows from financing activities:		
Proceeds from issuance of long term debt	9,067	--
Payment of long term debt	(10,242)	--
Principal payments of capital lease	(3)	--
Net cash used in financing activities	$ (1,178)	$ --

The accompanying notes are an integral part of these consolidated financial statements.

ELXSI CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(Dollars in Thousands)
(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Increase (decrease) in cash and cash equivalents	$ --	$ (916)
Cash and cash equivalents, beginning of period	--	8,597
Cash and cash equivalents, end of period	$ --	$ 7,681
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for		
Income taxes	$ 107	$ 77
Interest	370	--
Cash received during the period for		
Interest	--	191

Supplemental Disclosure of Noncash Investing and Financing Activities

In September 1989, the Company recorded a $301,000 debt discount upon issuance of $2,000,000 in senior subordinated notes. Interest expense on the Statement of Operations for the three months ended March 31, 1992 and 1991 includes $11,000 and $10,000, respectively, of amortization of this debt discount.

The accompanying notes are an integral part of these consolidated financial statements.

ELXSI CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1992
(Unaudited)

Note 1. The Company

General The information contained in this report is unaudited but, in management's opinion, all adjustments necessary for a fair presentation have been included. The results for the three months ended March 31, 1992 are not necessarily indicative of results to be expected for the entire year. These financial statements and notes should be read in conjunction with ELXSI Corporation's Annual Report on Form 10-K for the year ended December 31, 1991.

Prior to 1990, ELXSI Corporation (together with its subsidiaries, the "Company") operated principally through its wholly-owned California subsidiary, ELXSI. During that period the principal business of ELXSI was the design, manufacture, sale and support of minisupercomputers. In September 1989, the Company discontinued all computer operations.

On July 1, 1991, ELXSI acquired thirty Bickford's and twelve Howard Johnson's Restaurants (the "Restaurants"), which are located in Massachusetts, Vermont, New Hampshire, Rhode Island and Connecticut , from Marriott Family Restaurants, Inc. The Restaurants are family oriented restaurants with a wide ranging, moderately priced menu, with a focus on breakfast fare.

Note 2. Assets Held For Sale The amount included in assets held for sale at March 31, 1992 represents the estimated net realizable value of five Howard Johnson's Restaurants. Subsequent to March 31, 1992 the Company completed the sale and received proceeds approximating the net realizable value. These proceeds were used to reduce long term debt. In addition, the Company sold one Restaurant prior to March 31, 1992 and received approximately $271,000 of net proceeds. The excess of book value over the net realizable value of all six Restaurants has been recorded as an increase in the excess of cost over fair value of net assets acquired as of March 31, 1992.

Note 3. Composition of Certain Financial Statement Components

	March 31, 1992	December 31, 1991
Property, Building and Equipment, at cost		
Land	$ 6,725,000	$ 6,725,000
Buildings and improvements	11,218,000	11,938,000
Buildings held pursuant to capital leases	779,000	779,000
Equipment, furniture and fixtures	2,814,000	3,056,000
	21,536,000	22,498,000
Less - Accumulated depreciation and amortization	(683,000)	(483,000)
	$20,853,000	$22,015,000

	March 31, 1992	December 31, 1991
Intangible Assets		
Excess of cost over fair value of net assets acquired	$ 1,148,000	$ 987,000
Trademarks	1,020,000	1,020,000
Liquor licences	85,000	135,000
	2,253,000	2,142,000
Less - Accumulated amortization	(42,000)	(28,000)
	$ 2,211,000	$ 2,114,000

The excess of cost over fair value of net assets acquired, trademarks and liquor licenses balances represent the value assigned to these intangible assets upon the purchase of the Restaurants by ELXSI. Amortization expense for the three months ended March 31, 1992 was $14,000.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Revenues and Expenses The Company's 1992 revenues and expenses result from the operation of the Bickford's and Howard Johnson's Restaurants (the "Restaurants") which were acquired on July 1, 1991. The Company's operations during the first half of 1991 focused primarily on the search for suitable acquisitions and the negotiations for the purchase of the Restaurants. Accordingly, a comparison of the results of operations for the three months ended March 31, 1992 to the same period in the prior year is not meaningful. During the first three months of 1992, the Company had net sales of $8,880,000, cost of sales of $7,129,000, general and administrative expenses of $514,000 and depreciation and amortization of $316,000, resulting in operating income of $921,000. Operating income was reduced by interest expense of $383,000 and a provision for income taxes of $58,000 resulting in net income for the first quarter of $480,000 compared to a net loss of $87,000 for the same period in the prior year.

The results of operations for the first quarter of 1992 exceeded management's expectations due to the mild weather experienced in New England, the lower cost of food items and a higher than anticipated average guest check.

During the first quarter of 1992, the Company sold it's Howard Johnson's Restaurant located in Braintree, Massachusetts for net sales proceeds of approximately $271,000. Subsequent to March 31, 1992, the Company sold five additional Howard Johnson's Restaurants for net proceeds of approximately $677,000. The $677,000 has been reflected in the accompanying financial statement as assets held for sale at March 31, 1992. The excess of book value over the net realizable value of all six Restaurants has been recorded as an increase in the excess of cost over fair value of net assets acquired as of March 31, 1992. The net proceeds from the sales have been used to reduce long term debt.

Liquidity and Capital Resources

Available Resources The Company's unrestricted consolidated cash positions at March 31, 1992 and December 31, 1991 was $0.

In connection with the Company's loan agreement with its bank, the Company instituted a cash management system whereby the net cash generated by operations is immediately used to reduce bank debt. The immediate reduction of outstanding debt provides the Company with a greater reduction in interest expense than could be offset with interest income from alternative investments. In the absence of the loan agreement requiring such a system, the Company would continue to use excess funds to immediately reduce bank debt since it currently provides the Company with its best return. A review of the financial statements, working capital and discussion of liquidity must take into consideration that the Company does not maintain any cash balances in any of its accounts by design. Working capital needs, when they arise, are met by daily borrowings.

Future Needs For and Sources of Capital The Company believes that cash to be provided by operations and funds available under its loan agreement will be sufficient to fund the Company's future cash needs, other than for acquisitions. In addition, ELXSI Corporation's Board of Directors may also call upon The Airlie Group L.P.("Airlie"), Milley & Company and Continental Illinois Equity Corporation, pursuant to their remaining debt commitment to ELXSI Corporation to purchase $2,500,000 of promissory notes. These notes would bear interest at a rate that is 600 basis points above the highest of (a) the three month Treasury bill rate, (b) the ten year Treasury bill note rate and (c) the thirty year Treasury bond rate each calculated two days prior to the note purchase date. The debt commitment expires on the later of July 1, 1994 or, if Airlie is in existence beyond that date, such later date as the partners of Airlie may choose, but in no event later than September 30 , 1999.

PART II. OTHER INFORMATION

Item 5. Other Information

On April 6, 1992, ELXSI Corporation's Board of Directors accepted the resignations of Mr. James K. Dutton, Mr. Steven D. Hollopeter, Mr. Brian E. Kinsman and Mr. Roger L. Keech as members of the Board of Directors. These resignations resulted in there being five remaining directors and in accordance with the Bylaws of ELXSI Corporation the Board of Directors thereupon fixed the number of Directors constituting the full board at five.

The remaining five directors, Alexander M. Milley, Kevin P. Lynch, Robert C. Shaw, Farrokh K. Kavarana and John C. Savage were each designated as nominees for election as directors of ELXSI Corporation at its annual meeting of shareholders scheduled to be held on May 27, 1992.

In connection with the above resignations, the board committee memberships were changed by the Board of Directors to the following:

Executive Committee - To consist of Mr. Milley, Mr. Shaw and Mr. Lynch
Compensation Committee - To consist of Mr. Milley, Mr. Savage and Mr. Kavarana
Audit Committee - To consist of Mr. Lynch , Mr. Savage and Mr. Kavarana

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits -none

b. Reports on Form 8-K - ELXSI Corporation did not file any reports on Form 8-K during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ELXSI CORPORATION
(Registrant)

Date: May 12, 1992

Alexander M. Milley
Alexander M. Milley, Chairman of the Board,
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 12, 1992

Thomas R. Druggish, Vice President Finance,
Treasurer and Corporate Secretary
(Chief Accounting Officer)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

BEST COPY AVAILABLE

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the period ended March 31, 1992

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ______ to ______

Commission File Number 2-33059

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

HAWAII
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)

99-0049500
(I.R.S. EMPLOYER IDENTIFICATION NO.)

1177 Bishop Street, Honolulu, Hawaii
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

96813
(ZIP CODE)

Registrant's telephone number, including area code 808-546-4511

(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR, IF CHANGED SINCE LAST REPORT)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS

YES X NO _

PROCESSED BY
11-11-V
MAY 18 1992

THE COMPANY HAD 8,400,000 SHARES OF $25 PAR VALUE COMMON STOCK OUTSTANDING AT APRIL 30, 1992

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GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
	(Thousands of Dollars)	
OPERATING REVENUES	$ 151,035	$ 133,936
COSTS AND EXPENSES:		
Operating expenses	104,607	108,086
Merger restructuring costs	-	1,598
	104,607	109,684
Operating income	46,428	24,252
OTHER DEDUCTIONS:		
Interest expense	7,562	8,474
Other - net	73	134
INCOME BEFORE INCOME TAXES	38,793	15,644
INCOME TAXES	12,542	4,366
NET INCOME	$ 26,251	$ 11,278

Per share data is omitted since the Company's common stock is 100% owned by GTE Corporation (Parent Company).

The accompanying notes are an integral part of these financial statements.

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operating Results

Net income increased $15.0 million for the three months ended March 31, 1992 compared to the three months ended March 31, 1991. The increase is primarily the result of increased operating income due to growth in access lines and usage and higher directory advertising revenues, partially offset by an increase in income taxes.

Operating revenues increased 13% or $17.1 million for the three months ended March 31, 1992, compared to the same period in 1991.

Local network service revenues for the first quarter of 1992 were 6% or $2.8 million higher than the first quarter of 1991. The increase reflects a growth in access lines and increased usage of custom calling and other enhanced features.

Network access service revenues decreased 8% or $2.2 million for the three months ended March 31, 1992, compared to the same period in 1991. The decrease reflects a reduction of interstate switched access and common line rates, partially offset by an increase in minutes of use.

Long distance service revenues for the first quarter of 1992 were 8% or $2.2 million higher than the first quarter of 1991. The increase is primarily attributable to higher intrastate toll usage.

Equipment sales and services revenues decreased 17% or $4.0 million for the three months ended March 31, 1992, compared to the same period in 1991. The decrease is primarily due to lower sales of single-line and radio equipment and key telephone systems and lower revenues from two large overseas contracts. These decreases were partially offset by higher private branch exchange sales.

Other operating revenues increased $18.3 million in the first quarter of 1992 compared to the first quarter of 1991. The increase is primarily due to a change in the way the Company reports directory advertising revenue partially offset by higher provisioning for uncollectible accounts. During late 1991, the Company began recognizing the full year impact of directory advertising revenue on the directory publication date as opposed to the previous recognition of revenue as billed over a twelve-month period. This accounting change, while impacting the current quarter due to timing of directory publications, will not impact the annual recognition of directory revenues in 1992.

Operating expenses decreased by 3% or $3.5 million for the three months ended March 31, 1992, compared to the same period in 1991. The decrease is primarily the result of lower depreciation due to the completion of amortization on inside wire in the fourth quarter of 1991 and lower expenses for installations related to nonregulated contracts and multi-line systems. Partially offsetting these decreases was an increase in costs associated with data processing system enhancements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

The 1991 results included a reserve for restructuring costs of $1.6 million associated with the merger of GTE Corporation and Contel Corporation. This one-time charge consists primarily of the costs of integrating the operations of the merging companies. It is anticipated that the merger will result in increased efficiencies and significant cost savings in future years.

Interest expense decreased 11% or $1.0 million for the three months ended March 31, 1992. The decrease was primarily attributable to decreased short-term debt levels and lower interest rates.

Income taxes increased $8.2 million for the three months ended March 31, 1992, compared to the same period in 1991. The increase was primarily due to increased taxable income.

Capital Resources and Liquidity

Capital expenditures represent funds needed to construct new plant, modernize facilities and provide other assets to further enhance the Company's telephone service. Capital expenditures during the first three months of 1992 were $30 million compared to $35 million during the first three months of 1991. The Company's estimated construction budget for 1992 is $156 million.

The Company generally funds its construction program from operations and supplements funding with commercial paper or borrowings from its parent, GTE. In early 1991, the Company issued $17.7 million of REA first mortgage bonds. The proceeds of these issues were used predominantly to finance capital expenditures previously financed through commercial paper borrowings.

Total capitalization as of March 31, 1992 amounted to $901.9 million and is comprised of 56% equity and 44% debt. In comparison, total capitalization at December 31, 1991 of $897.5 million was comprised of 55% equity and 45% debt.

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 1992	December 31, 1991
	(Thousands of Dollars)	
CURRENT ASSETS:		
Cash	$ 11,333	$ 13,824
Receivables, less allowances of $2,337 and $693, respectively	146,260	132,251
Inventories	28,267	24,212
Prepayments and other	318	3,013
Total current assets	186,178	173,300
PROPERTY, PLANT AND EQUIPMENT:		
Original cost	1,598,164	1,571,602
Accumulated depreciation	(607,293)	(588,359)
Net property, plant and equipment	990,871	983,243
OTHER ASSETS	65,918	61,162
TOTAL ASSETS	$ 1,242,967	$ 1,217,705

The accompanying notes are an integral part of these financial statements.

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDER'S EQUITY

	March 31, 1992	December 31, 1991
	(Thousands of Dollars)	
CURRENT LIABILITIES:		
Short-term debt	$ 42,440	$ 47,430
Accounts payable	49,808	48,251
Accrued liabilities	60,236	39,940
Other	42,942	44,808
Total current liabilities	195,426	180,429
LONG-TERM DEBT	343,891	343,881
DEFERRED CREDITS, primarily deferred income taxes and investment tax credits	198,763	197,846
SHAREHOLDER'S EQUITY:		
Common stock	210,000	210,000
Other capital	41,702	41,815
Reinvested earnings	253,185	243,734
Total shareholder's equity	504,887	495,549
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 1,242,967	$ 1,217,705

The accompanying notes are an integral part of these financial statements.

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	1992	1991
	(Thousands of Dollars)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 26,251	$ 11,278
Adjustments to reconcile net income to net cash from operations:		
Depreciation and amortization	23,771	25,452
Deferred income taxes and investment tax credits	990	309
Provision for uncollectible accounts	3,300	708
Changes in current assets and current liabilities	(5,703)	2,113
Other - net	(5,164)	(1,612)
Net cash from operations	43,445	38,248
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(30,083)	(35,385)
Other - net	(1,054)	(2,111)
Net cash used in investing	(31,137)	(37,496)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt issued	19	17,739
Long-term debt retired	--	(792)
Dividends paid to shareholder	(9,828)	(11,200)
Decrease in short-term debt	(4,990)	(1,271)
Net cash from (used in) financing	(14,799)	4,476
Increase (decrease) in cash	(2,491)	5,228
Cash at beginning of period	13,824	4,447
Cash at end of period	$ 11,333	$ 9,675
Cash paid during the period for:		
Interest	$ 4,459	$ 5,580
Income taxes	2,540	—

The accompanying notes are an integral part of these financial statements.

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, in the opinion of management of the Company, the condensed consolidated financial statements include all adjustments (consisting primarily of normal recurring accruals) necessary to present fairly the financial information for such periods. These condensed consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's 1991 Annual Report to Shareholder incorporated by reference in the Annual Report on Form 10-K.

(2) Inventories are stated at the lower of cost or market value. Cost of inventories is determined by the average cost method of inventory valuation. Inventories included in the Condensed Consolidated Balance Sheets are as follows:

	March 31, 1992	December 31, 1991
	(Thousands of Dollars)	
Work in process on contracts	$ 10,130	$ 7,489
Materials and supplies	18,137	16,723
Total	$ 28,267	$ 24,212

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED AND SUBSIDIARIES

PART II. OTHER INFORMATION

Items 1 through 6 are not applicable for the quarter ended March 31, 1992.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED
(Registrant)

Date: May 13, 1992

JOHN D. UTZINGER
Controller
(Chief Accounting Officer)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

RECD S.E.C.

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 1992

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

PROCESSED BY
9-5-2
MAY 18 1992

Commission File Number 33-5009

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Q-Data Corp. - St. Petersburg, FL

HADSON PETROLEUM (USA)

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**73-1269993** (IRS Employer Identification No.)
101 Park Avenue, Suite 1400 **Oklahoma City, Oklahoma** (Address of principal executive office)	**73102** (Zip Code)

Registrant's telephone number, including area code: **(405) 235-9531**

NONE

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES_X_ NO___.

1,000 shares of common stock $1.00 par value, issued and outstanding at May 10. 1992.

THE REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H(1)(A) AND (B) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT.

BEST COPY AVAILABLE

KADSON PETROLEUM (USA), INC. AND SUBSIDIARIES
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HADSON PETROLEUM (USA), INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

ASSETS

	March 31, 1992 (unaudited)	December 31, 1991
CURRENT ASSETS		
Cash and cash equivalents	$ 1,400	$ 1,481
Accounts receivable, net	2,510	3,052
Inventory and other	226	196
Total current assets	4,136	4,729
PROPERTY AND EQUIPMENT, at cost, based on full cost accounting	143,544	142,325
Less accumulated depreciation, depletion and amortization	(95,806)	(94,885)
	47,738	47,440
	$51,874	$ 52,169

LIABILITIES AND STOCKHOLDER'S EQUITY

	March 31, 1992 (unaudited)	December 31, 1991
CURRENT LIABILITIES		
Accounts payable and other	$ 2,503	$ 1,984
Royalties payable	1,629	1,531
Interest payable and other	138	345
Total current liabilities	4,270	3,860
NOTE PAYABLE TO AFFILIATE	8,987	19,575
LONG-TERM DEBT	8,082	8,105
DEFERRED TAXES PAYABLE	1,616	1,633
	22,955	33,173
STOCKHOLDER'S EQUITY		
Common stock, par value $1.00; 1,000 shares authorized, issued and outstanding	1	1
Additional paid-in capital	30,637	20,637
Accumulated deficit	(1,719)	(1,642)
	28,919	18,996
	$51,874	$ 52,169

See accompanying notes to consolidated financial statements

HADSON PETROLEUM (USA), INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

(in thousands)

	Three Months Ended March 31,	
	1992	1991
REVENUES		
Oil and gas sales	$ 3,843	$ 3,988
Interest and other income	60	80
	3,903	4,068
EXPENSES		
Operating costs	1,544	1,468
Depreciation, depletion and amortization	1,650	1,644
General and administrative	485	322
Interest	322	678
	4,001	4,112
Net loss before income taxes	(98)	(44)
Income tax benefit	(21)	(10)
NET LOSS	$ (77)	$ (34)

See accompanying notes to consolidated financial statements.

HADSON PETROLEUM (USA), INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(in thousands)

	Three Months Ended March 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (77)	$ (34)
Items not affecting cash flows:		
Depreciation, depletion and amortization	1,650	1,644
Deferred income taxes	(17)	(9)
Accretion of note premium	(23)	--
	1,533	1,601
Accruals of operating cash receipts and payments	13	133
	1,546	1,734
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,617)	(1,298)
Acquisition of Baruch-Foster Corporation, net of cash acquired	--	(380)
Proceeds from sale of assets	28	--
Change in working capital other than cash	550	(1,582)
	(1,039)	(3,260)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in amounts due from affiliate	(10,588)	5,281
Repayments of borrowings	--	(4,935)
Capitalization of intercompany debt	10,000	--
	(588)	346
Net decrease in cash and cash equivalents	(81)	(1,180)
Cash and cash equivalents, beginning of period	1,481	3,759
Cash and cash equivalents, end of period	$ 1,400	$ 2,579
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 551	$ 426
Income taxes paid (net of refunds)	(30)	2
	$ 521	$ 428

See accompanying notes to consolidated financial statements

HADSON PETROLEUM (USA), INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (unaudited)
March 31, 1992

Note 1 – Accounting Principles

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q as prescribed by the Securities and Exchange Commission. All material adjustments which, in the opinion of management, were necessary for a fair presentation of the results for the interim periods have been reflected. The results of operations for the three month period ended March 31, 1992 are not necessarily indicative of the results to be expected for the full year.

HADSON PETROLEUM (USA), INC. AND SUBSIDIARIES
MANAGEMENT'S NARRATIVE ANALYSIS
OF THE RESULTS OF OPERATIONS

Revenues from oil and gas sales decreased 4% for the three months ended March 31, 1992 as compared to the same period one year ago. This decrease is attributable primarily to lower oil prices being received by the Company. Production volumes and average product prices for the three months ended March 31, 1992 and 1991 are as follows:

	Three Months Ended March 31,	
	1992	1991
Oil:		
Volume (Bbls)	116,000	114,000
Average price (per Bbl)	$17.93	$21.44
Natural gas:		
Volume (Mcf)	1,177,000	1,085,000
Average price (per Mcf)	$1.49	$1.42

Production costs increased 5% for the three months of 1992 versus the three months of 1991 due to the continued aggressive exploitation of the asset base.

Depreciation, depletion and amortization was $1,650,000 which approximated the amount for 1991.

General and administrative expenses increased to $485,000 for the three months of 1992 from $322,000 in the three months of 1991. This is principally a result of an increase in the amount of personnel related costs.

Interest expense for the three months ended March 31, 1992 was 53% lower than the comparable period of 1991 due to lower average outstanding debt balances resulting from the recapitalization of $10 million of debt with the Company's parent, Hadson Energy Resources Corporation.

HADSON PETROLEUM (USA), INC. AND SUBSIDIARIES
PART II. OTHER INFORMATION

Item 1 -- None

Item 2 -- None

Item 3 -- None

Item 4 -- None

Item 5 -- None

Item 6 -- None

HADSON PETROLEUM (USA), INC. AND SUBSIDIARIES
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HADSON PETROLEUM (USA), INC.
(Registrant)

Date May 14, 1992

Jeffrey A. Bonney
Controller

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92-2255

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

92 15 2121

FORM 10-Q

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(X) Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For Quarter Ended **March 31, 1992**

or

( ) Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from ____________ to ____________

Commission File Number 1-3786

Homasote Company
(Exact name of registrant as specified in Charter)

NEW JERSEY
(State or other jurisdiction of incorporation or organization)

21-0388986
(I.R.S. Employer Identification No.)

P.O. Box 7240, West Trenton, NJ
(Address of principal executive offices)

08628
(Zip Code)

Registrant's Telephone number, including area code 609-883-3300

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

(X) Yes ( ) No

At March 31, 1992, 446,271 shares of common stock of the Registrant were outstanding.

HOMASOTE COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)

For the three months ended March 31

	1992	1991
Net sales	$ 5,916,750	$ 6,186,979
Cost of sales	4,610,917	4,838,483
Gross profit	1,305,833	1,348,496
Selling, general and administrative expenses	1,255,476	1,342,623
Operating income	50,357	5,873
Other income (expense):		
Gain on sale of assets	4,038	23,801
Interest income	5,934	18,766
Interest expense	(33,327)	(37,203)
	(23,355)	5,364
Earnings before income taxes	27,002	11,237
Income taxes	10,801	4,140
Net earnings	$ 16,201	$ 7,097
Earnings applicable to common stock	$ 16,201	$ 7,097
Common shares (weighted average)	446,649	490,137
Earnings per share, common stock	$ 0.04	$ 0.01
Cash dividends per share declared and paid	$ 0.00	$ 0.10

Note 1. Sales were down by 4.4% for the first quarter of 1992 as compared to the same period of 1991.

Note 2. The consolidated financial data as of March 31, 1992 and 1991 and for the three month period ended March 31, 1992 and 1991 includes, in the opinion of management, all adjustments (none of which were non-recurring) necessary for a fair presentation of such periods. The consolidated financial data for the three months ended March 31, 1992 is not necessarily indicative if the results of operations that might be expected for the entire year ending December 31, 1992.

HOMASOTE COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

ASSETS

	March 31, 1992		December 31, 1991	
CURRENT ASSETS:				
Cash in banks	$ 679,409		$ 694,060	
Accounts receivable, net	3,001,014		1,637,893	
Inventories:				
Raw materials	955,881		1,002,110	
Work in process	130,000		130,000	
Finished goods	2,398,795		2,786,528	
Refundable income tax	312,288		312,288	
Prepaid expenses and other current assets	187,738		305,154	
Total Current Assets		$ 7,665,125		$ 6,868,033
PROPERTY, PLANT AND EQUIPMENT, at cost	28,701,117		28,791,270	
Less accumulated depreciation	22,963,380		22,890,931	
Net property, plant and equipment		5,737,737		5,900,339
OTHER ASSETS		723,572		723,572
Total		$ 14,126,434		$ 13,491,944

HOMASOTE COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992		December 31, 1991	
CURRENT LIABILITIES:				
Current installment of long term debt	536,759		536,759	
Accounts payable – trade	642,228		740,002	
Accrued expenses	911,119		891,734	
Income taxes	13,430		–	
		$ 2,103,536		$ 2,168,495
LONG-TERM DEBT, excluding current installment		1,278,632		587,617
DEFERRED INCOME TAXES		382,240		382,240
OTHER LIABILITIES		723,572		723,572
TOTAL LIABILITIES		4,487,980		3,861,924
STOCKHOLDERS' EQUITY				
Common stock at $.20 par value Authorized 1,500,000 shares issued 863,995 shares in 1992 and 1991.		172,799		172,799
Additional paid-in capital		898,036		898,036
Retained earnings:				
Balance at beginning	14,531,610		14,573,463	
Add: Net income for period	16,201		7,157	
	14,547,811		14,580,620	
Less: Dividends paid $.00 per share in 1992 and $.10 in 1991.	–	14,547,811	49,010	14,531,610
		15,618,646		15,602,445
Less: Treasury stock at cost, 417,724 shares in 1992 and 417,204 in 1991.		5,980,192		5,972,425
Net stockholders' equity		9,638,454		9,630,020
Total		$ 14,126,434		$ 13,491,944

Note 2. The consolidated financial data as of March 31, 1992 and 1991 and for the three month period ended March 31, 1992 and 1991 includes, in the opinion of management, all adjustments (none of which were non-recurring) necessary for a fair presentation of such periods. The consolidated financial data for the three months ended March 31, 1992 is not necessarily indicative if the results of operations that might be expected for the entire year ending December 31, 1992.

HOMASOTE COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31

(UNAUDITED)

	1992	1991
Cash flows from operating activities:		
Net earnings	$ 16,201	$ 7,097
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	161,569	206,794
Gain on disposal of fixed assets	(3,500)	(23,444)
Change in assets and liabilities:		
Increase in accounts receivable, net	(1,363,121)	(907,862)
Decrease (increase) in inventories	433,962	(190,527)
Increase in refundable income tax	0	(37,564)
Decrease (increase) in prepaid expenses and other assets	117,416	(5,479)
Increase (decrease) in accounts payable	(97,774)	262,727
Increase in accrued expenses	19,385	103,869
Increase (decrease) in accrued income taxes	13,430	(3,747)
Total adjustments	(718,633)	(595,233)
Net cash used in by operating activities	(702,432)	(588,136)
Cash flows from investing activities:		
Proceeds from sale of equipment	26,268	26,500
Additions to plant and equipment	(21,735)	(29,313)
Net cash provided by (used in) investing activities	4,533	(2,813)
Cash flows from financing activities:		
Proceeds from issuance of short-term debt	700,000	500,000
Repayment of long-term debt	(8,985)	(8,451)
Cash dividends paid	0	(49,010)
Proceeds from sale of treasury stock	0	3,676
Purchase of treasury stock	(7,767)	(22,820)
Net cash used in financing activities	683,248	423,395
Net decrease in cash and cash equivalents	(14,651)	(167,554)
Cash and cash equivalents as of beginning of period	694,060	622,831
Cash and cash equivalents as of end of period	$ 679,409	$ 455,277
Supplemental information:		
Cash paid during period for:		
Interest	$ 33,327	$ 37,203
Income taxes	$ 0	$ 50,000

HOMASOTE COMPANY AND SUBSIDIARY

March 31 1992

NOTE # 1 MANAGEMENT'S ANALYSIS OF MATERIAL CHANGE BY QUARTER AS NOTED

RESULTS OF OPERATIONS

Net sales for the three months ended March 31, 1992 as compared to March 31, 1991 decreased slightly. This is due primarily to the continuing industry downturn in demand for building products.

The cost of sales, as a percentage of sales, was 77.9% for the quarter ended March 31, 1992 as compared to 78.2% for the quarter ended March 31, 1991. This decrease is due primarily to a reduction in health insurance costs brought about by a change of health insurance carriers.

The increase in earnings for the three months ended March 31, 1992 to March 31, 1991 can be attributed to the decrease in cost of sales.

The increase in accounts receivable for the three months ended March 31, 1992 to March 31, 1991 can be attributed to the extended terms granted to customers during the winter trade shows.

Interest income for 1992 compared to 1991 has decreased due to significantly lower interest rates. Interest expense on debt for 1992 has decreased from 1991 because of more favorable lending rates.

LIQUIDITY AND CAPITAL RESOURCES

Capital expenditures for new and improved facilities and equipment were $22,000 in 1992 and $29,000 in 1991. Capital expenditures are financed primarily through internally generated funds and debt, and are expected to be approximately $900,000 for the remaining nine (9) months of 1992. In February 1992, the Company negotiated loan agreements for $1.0 million and $2.5 million for the purposes of consolidating existing debt, renovation of equipment and other working capital purposes. Repayment of the $1.0 million debt is due in February 1993. Repayment of the $2.5 million debt is due in equal installments beginning in March 1993, and ending with the final payment in February 1996.

INFLATION

During the last three years, the Company has felt the effects of inflation through the constant increases in the costs of labor, services, raw materials, energy and employee benefits. The demand of the Company's products has been directly affected by the economic condition of the housing and construction industry. The Company will continue to maintain its policy of constantly monitoring costs and adjusting prices as necessary.

HOMASOTE COMPANY AND SUBSIDIARY

OTHER INFORMATION

March 31, 1992

Item 9. **Exhibits and Reports on Form 8-K**

(b) Reports on Form 8-K – There were no reports on Form 8-K filed for the three months ended March 31, 1992.

Other Information:

All other schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

Signatures

Pursuant of the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto authorized.

HOMASOTE COMPANY (Registrant)

By ____________________
Neil F Bacon, Treasurer
(Chief Financial Officer)

Date: May 14, 1992

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FORM 10-Q - Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

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10Q

MANUALLY EXECUTED

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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92-2255

FORM 10-Q

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the period ended March 31, 1992

or

[ ] Transition Report Pursuance to Section 13 or 15(d) of the Securities Exchange act of 1934.
For the transition period from ______________ to ______________

Commission File Number 33-26467

INTELLIGENT FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter

BEST COPY AVAILABLE

Colorado
(State or other jurisdiction of incorporation or organization

84-1153295
(I.R.S. Employer Identification No.)

515 S. Tejon, Colorado Springs, Colorado
(Address of principal executive offices)

80903
(Zip Code)

(719) 473-9009
(Registrant's telephone number, including area code)

____
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[X] Yes [ ] No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicated by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

[ ] Yes [ ] No

APPLICABLE ONLY TO CORPORATE ISSUERS:

As of March 31, 1992, Registrant had 300,000 shares of common stock, $.004 Par Value, outstanding.

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Page Number

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INTELLIGENT FINANCIAL CORPORATION

BALANCE SHEETS

ASSETS

	December 31, 1991	March 31, 1992 (Unaudited)
Current Assets:		
Cash	$ 70,765	$ 45,075
Inventory	-	5,805,635
Leased equipment	146,530	153,509
Accounts receivable	52,603	317,923
Notes receivable	64,097	65,712
Other	26,090	42,110
Total Current Assets	360,085	6,429,964
Leased and other equipment	139,066	155,549
Franchise costs	201,852	260,138
Receivable from related party	287,047	270,128
Other assets	7,500	11,130
TOTAL ASSETS	$ 995,550	$ 7,126,909

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 1991	March 31, 1992 (Unaudited)
Liabilities:		
Notes payable	$ 290,695	$ 6,293,418
Accounts payable	44,665	86,986
Unearned income	21,698	9,174
Income tax payable	2,305	10,521
Accrued interest expense	2,045	24,531
Total Current Liabilities	361,408	6,424,630
Note payable, net of current portion	-	100,846
Other	-	14,428
TOTAL LIABILITIES	361,408	6,539,904
Stockholders' Equity:		
Preferred stock, 2,500,000 shares authorized, $.04 par value, none issued and outstanding	-	-
Common stock, 12,500,000 shares authorized, $.004 par value, 300,000 shares issued and outstanding	1,200	1,200
Additional paid-in capital	616,067	536,067
Retained earnings	16,875	49,738
TOTAL STOCKHOLDERS' EQUITY	634,142	587,005
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 995,550	$ 7,126,909

The accompanying notes are an integral part of the financial statements.

INTELLIGENT FINANCIAL CORPORATION

STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31, 1992	Three Months Ended March 31, 1991
Revenue:		
Sales	$ 4,942,283	$ 100,950
Cost of sales	4,626,485	61,295
Gross profit	315,798	39,655
Operating Expenses:		
Salaries	168,328	12,150
Payroll taxes & benefits	21,945	1,755
Amortization	10,231	-
Professional fees	23,000	-
Rent	2,625	1,500
Support services	15,000	-
Other	4,139	3,320
Total Operating Expense	245,268	18,725
Net Operating Income	70,530	20,930
Other income (expense)		
Interest income	8,973	-
Interest expense	(38,424)	(10,875)
Net Income before provision for income taxes	41,079	10,055
Provision for income taxes	8,216	2,010
Net Income	$ 32,863	$ 8,045

The accompanying notes are an integral part of the financial statements.

INTELLIGENT FINANCIAL CORPORATION

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
From December 31, 1991 through March 31, 1992 (Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount			
Balance at December 31, 1991	300,000	$ 1,200	$ 616,067	$ 16,875	$ 634,142
Distribution (Note 3)	-	-	(80,000)	-	(80,000)
Net income for the three months ended March 31, 1992 (Unaudited)	-	-	-	32,863	32,863
Balance at March 31, 1992 (Unaudited)	300,000	$ 1,200	$ 536,067	$ 49,738	$ 587,005

The accompanying notes are an integral part of the financial statements.

INTELLIGENT FINANCIAL CORPORATION
(A Development-Stage Enterprise)

STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 1991	Three Months Ended March 31, 1992
Operating Activities:		
Net income	$ 8,045	$ 32,863
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation & amortization	42,550	50,534
Increase in receivables	(9,262)	(14,560)
Increase in accounts payable and accrued expenses	11,031	73,023
Other, net	8,985	(15,791)
Net Cash Provided by Operating Activities	61,349	126,069
Investing Activities:		
Franchise costs	-	(72,830)
Equipment purchased, net	(63,505)	(54,803)
Other	-	(1,300)
Net Cash (Used in) Investing Activities	(63,505)	(128,933)
Financing Activities:		
Proceeds from notes payable, net	-	54,144
Distributions	-	(80,000)
Other, net	-	3,030
Net Cash Provided by (Used in) Financing Activities	-	(22,826)
Increase (Decrease) in Cash	(2,156)	(25,690)
Cash, Beginning of Period	3,270	70,765
Cash, End of Period	$ 1,114	$ 45,075

The accompanying notes are an integral part of the financial statements.

INTELLIGENT FINANCIAL CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1991 and March 31, 1992 (Unaudited)

(1) Organization

Intelligent Financial Corporation (the Company) was originally incorporated in Colorado on September 28, 1988 as Bonus, LTD. The Company has selected December 31, as its fiscal year end.

The Company has acquired the franchise rights to operate certain computer departments in various "BizMart" stores.

(2) Unaudited Statements

The balance sheet as of March 31, 1992, the statements of operations for the three month periods ended March 31, 1992 and 1991, and the statements of cash flows and stockholders' equity for the three month periods ended March 31, 1992 and 1991 have been prepared by the Registrant without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in financial position at March 31, 1992 and for all periods presented, have been made.

(3) Acquisition of DMA Computer Solutions, Inc.

Effective January 1, 1992, the Company acquired DMA Computer Solutions Inc. (DMA) from DMA Computer Solutions (Partnership), a Colorado partnership. The Partnership is a major shareholder of the Company. The Company paid to the Partnership $150,000 cash and agreed to pay 40% of the annual pre-tax operating profit of DMA up to a maximum of an additional $175,000 over the five year period which began January 1, 1992. Since the company paid $80,000 in excess of the book value of DMA to a related party, this $80,000 excess has been treated as a distribution.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(1) Material Changes in Financial Condition

Management knows of no trends, demands, commitment, events or circumstances which will result in or which are reasonably likely to result in the Registrant's liquidity increasing or decreasing in a material way.

The Registrant has no material commitments for capital expenditures as of the end of the latest fiscal period. Management knows of no material trends, favorable or unfavorable, in the Registrant's capital resources and anticipates no material change in the mix and cost of such resources.

The Registrants stockholders equity decreased from $634,142 at December 31, 1991 to $587,005, a decrease of $47,137. This net decrease resulted from a net income of $32,863 during the three month period ended March 31, 1992, less the distribution of $80,000 related to the acquisition of DMA Computer Solutions, Inc. as described in Note 3 to the financial statements.

There was no material change in working capital during the three month period ended March 31, 1992 since current assets increased in similar amounts related to the operating of the "BizMart" stores' computer departments. The Company borrowed approximately $6,000,000 to finance the inventory of the computer departments. The inventory is collateral on the related notes payable.

(2) Material Changes in Results of Operations

The Company's sales increased from $100,950 during the three month period ended March 31, 1991 to $4,942,283 during the three month period ended March 31, 1992, an increase of $4,841,333. The Company's cost of sales increased from $61,295 during the three month period ended March 31, 1991 to $4,626,485 during the three month period ended March 31, 1992, an increase of $4,565,190. The increase in sales and the cost of sales resulted from the operation of the "BizMart" stores computer departments which the Company acquired the rights to operate effective during January, 1992. Gross profit on sales increased from $39,655 during the three month period ended March 31, 1991 to $315,798 during the three month period ended March 31, 1992, an increase of $276,143. Operating expenses increased from $18,725 during the three month period ended March 31, 1991 to $245,268 during the three month period ended March 31, 1992, an increase of $226,543. The Company's interest expense increased from $10,875 during the three month period ended March 31, 1991 to $38,424 during the three month period ended March 31, 1992, an increase of $27,549. The increases in gross profit, operating expenses and interest expense were primarily the result of the operations of the "BizMart" computer departments.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

None.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

INTELLIGENT FINANCIAL CORPORATION

Dated: 5/14/92

Craig T. Rogers

Craig T. Rogers, President

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

[X] **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 1992

OR

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______________________ **to** __________

Commission file number 0-16306

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INVITRON CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	**43-1339060**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
311 N. Lindbergh Blvd., Suite 100, St. Louis, MO	**63141**
(Address of principal executive offices)	**(Zip Code)**

314-432-5522
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X. No ____.

On May 12, 1992, 6,604,793 shares of the Registrant's Common Stock were outstanding.

Page 1 of 10
No Exhibits

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The Statements of Consolidated Net Assets in Liquidation of Invitron and Subsidiaries ("Invitron" or the "Company") as of March 31, 1992, and December 31, 1991, the related Statements of Changes in Consolidated Net Assets in Liquidation for the three-month periods ended March 31, 1992 and 1991, and related Notes to Consolidated Financial Statements follow. In the opinion of management, these consolidated financial statements contain all adjustments (which are of a normal recurring nature for a company engaged in the process of liquidation) necessary to present a fair statement of the unaudited results, on a liquidation basis, for the interim periods presented. See Notes 1 and 2 of Notes to Consolidated Financial Statements. The accompanying condensed consolidated financial statements do not include all disclosures associated with annual financial statements, and accordingly, should be read in conjunction with the financial statements included in the Annual Report on Form 10-K for the year ended December 31, 1991.

INVITRON CORPORATION AND SUBSIDIARIES
(In Process of Liquidation - See Notes 1 and 2)

STATEMENTS OF CONSOLIDATED NET ASSETS IN LIQUIDATION
(Dollars in Thousands)

	March 31, 1992 (unaudited)	December 31, 1991
ASSETS		
Cash and cash equivalents	$ 1,846	$1,787
Trade accounts receivable	—	60
Total Assets	1,846	1,847
LIABILITIES		
Reserve for estimated costs of operations during period of liquidation (Note 1)	428	489
Accounts payable and accrued liabilities	78	18
Total Liabilities	506	507
ESTIMATE OF NET ASSETS IN LIQUIDATION	$ 1,340	$ 1,340
NUMBER OF COMMON SHARES OUTSTANDING	6,604,793	6,604,793

See Notes to Consolidated Financial Statements.

INVITRON CORPORATION AND SUBSIDIARIES
(In Process of Liquidation - See Notes 1 and 2)

STATEMENTS OF CHANGES IN CONSOLIDATED NET ASSETS IN LIQUIDATION
(Unaudited)
(Dollars in Thousands)

	Three Months Ended March 31 1992	1991
ESTIMATE OF NET ASSETS IN LIQUIDATION AT BEGINNING OF PERIOD	$1,340	$3,544
RESULTS OF OPERATIONS PREVIOUSLY PROVIDED		
Net loss from corporate operations	(61)	(712)
Losses charged to reserve	61	712
ESTIMATE OF NET ASSETS IN LIQUIDATION AT END OF PERIOD	$1,340	$3,544

See Notes to Consolidated Financial Statements.

INVITRON CORPORATION AND SUBSIDIARIES
(In Process of Liquidation - Notes 1 and 2)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in Thousands, Except Per Share Amounts)

1. Plan of Liquidation

During 1991, Invitron Corporation ("Invitron" or the "Company") adopted a Plan of Complete Liquidation and Dissolution (the "Plan") and filed a Certificate of Dissolution in the Office of the Delaware Secretary of State. Accordingly, the Company has been in the process of liquidating its assets and performing or resolving its outstanding obligations.

Pursuant to the Delaware General Corporation Law, Invitron and Ideon Corporation, a wholly owned subsidiary of the Company ("Ideon") also in liquidation, will be continued for the three-year periods after June 6, 1991, and March 3, 1992, respectively, the dates upon which their respective Certificates of Dissolution were filed in the Office of the Delaware Secretary of State and the dissolutions became effective, or for such longer periods as the Delaware Court of Chancery shall direct, for the purpose of prosecuting and defending suits, whether civil, criminal or administrative, by or against them, and enabling each company to gradually settle and close its business, to dispose of and convey its property, to discharge its liabilities, and to distribute to its shareholders any remaining assets, but not for the purpose of continuing the business for which it was organized.

The Company's remaining assets are principally cash and cash equivalents. The Company has performed or negotiated the settlement of a substantial portion of its known, outstanding material obligations, leases and commitments. Nevertheless, other matters remain unresolved, including such administrative matters as audits of tax returns, and additional claims may be made, and concerns expressed by customers or suppliers which have not been reduced to quantified claims may come to be quantified and asserted in the future.

The Company currently expects to distribute to its shareholders the cash and cash equivalents remaining after the satisfaction of the Company's obligations at or near the completion of the liquidation and wind-up periods. Because the three-year liquidation and wind-up period of Ideon will not be completed until March 3, 1995, final liquidating distributions to the Company's shareholders may be deferred until March 1995.

The Company is currently considering other transactions or procedures which would result in the transfer or distribution of a portion of the Company's remaining funds to the Company's shareholders prior to the end of the liquidation and wind-up period.

As of March 31, 1992, the reserve for estimated future costs of operations during the period of liquidation and wind-up consisted of the following components (which include reserves totalling approximately $100 for unknown contingencies):

Contract labor/corporate personnel	$115
Corporate office/general and administrative	88
Professional services	170
Other	55
	$428

2. Summary of Significant Accounting Policies

Basis of Presentation - As of December 31, 1990, the Company adopted the liquidation basis of accounting. The Statements of Consolidated Net Assets in Liquidation at March 31, 1992, and December 31, 1991, and the Statements of Changes in Consolidated Net Assets in Liquidation for the three month periods ended March 31, 1992 and 1991, have been prepared on a liquidation basis. Assets have been presented at estimated net realizable value, and liabilities have been presented at estimated settlement amounts.

The valuation of assets and liabilities necessarily requires many estimates and assumptions, and there are uncertainties in carrying out the provisions of the Plan. The actual value of liquidating distributions, if any, will depend on the resolution of the Company's known and unknown contingent liabilities and the costs of liquidation and wind-up. The actual amounts are likely to differ from the amounts presented in the financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

(Dollars in thousands, except per share amounts)

During 1991, Invitron Corporation ("Invitron" or the "Company") adopted a Plan of Complete Liquidation and Dissolution (the "Plan"). Pursuant to the Plan, on June 6, 1991, the Company filed in the Office of the Delaware Secretary of State, a Certificate of Dissolution. Upon such filing, the dissolution of Invitron became effective.

Pursuant to the Delaware General Corporation Law, Invitron will be continued for the three-year period after the dissolution became effective, or for such longer period as the Delaware Court of Chancery shall direct, for the purpose of prosecuting and defending suits, whether civil, criminal or administrative, by or against it, and enabling Invitron to gradually settle and close its business, to dispose of and convey its property, to discharge its liabilities, and to distribute to its shareholders any remaining assets, but not for the purpose of continuing the business for which Invitron was organized.

The Company has performed or negotiated the settlement of a substantial portion of its known, outstanding material obligations, leases and commitments. Nevertheless, other matters remain unresolved, including such administrative matters as audits of tax returns, and additional claims may be made, and concerns expressed by customers or suppliers which have not been reduced to quantified claims may come to be quantified and asserted in the future.

In addition, a Certificate of Dissolution for Ideon Corporation, a wholly owned subsidiary of the Company ("Ideon") was filed in the Office of the Delaware Secretary of State on March 3, 1992. Pursuant to the Delaware General Corporation Law, Ideon will be continued for the three-year period after the dissolution became effective, or for such longer period as the Delaware Court of Chancery shall direct, for the purpose of prosecuting and defending suits, whether civil, criminal or administrative, by or against it, and enabling Ideon to gradually settle and close its business, to dispose of and convey its property, to discharge its liabilities, and to distribute to its shareholders any remaining assets, but not for the purpose of continuing the business for which Ideon was organized.

As of March 31, 1992, the Company had estimated net assets in liquidation of $1,340, including cash and cash equivalents of $1,846. In comparison, as of December 31, 1991, the Company had estimated net assets in liquidation of $1,340, including cash and cash equivalents of $1,787, and as of March 31, 1991, the Company had estimated net assets in liquidation of $3,544, including cash and cash equivalents of $890.

Estimated net assets in liquidation as of March 31, 1992, as compared to December 31, 1991, were unchanged because net charges against the liquidation and wind-up expense reserve were substantially as planned. The reduction in estimated net assets in liquidation as of March 31, 1992, as compared to March 31, 1991, reflects the distribution to shareholders of a liquidation distribution in the amount of $2,642 made during September 1991, and actual expenses incurred and assets realized by the Company in connection with its liquidation and wind-up during the period which commenced on March 31, 1991, and ended March 31, 1992, differing from the estimated amounts by $417.

The valuation of assets and liabilities necessarily requires many estimates and assumptions, and there are uncertainties in carrying out the provisions of the Plan. The actual value of remaining estimated net assets in liquidation will depend on a variety of factors, including the resolution of the Company's remaining contingent and unknown liabilities, and the costs of liquidation and wind-up. The actual amounts will likely differ from the amounts presented in the consolidated financial statements. The estimated net assets in liquidation include reserves totalling approximately $100 for unknown contingencies in connection with the Company's liquidation and wind-up of its affairs.

Pursuant to the Plan, the Board may elect to make one or more interim liquidating distributions, in addition to an initial liquidating distribution of $0.40 per share paid on September 19, 1991. Company funds not distributed pursuant to interim liquidating distributions, if any, will be distributed pursuant to a final liquidating distribution. The Company currently expects to distribute to its shareholders the cash and cash equivalents remaining after the satisfaction of the Company's obligations at or near the completion of the liquidation and wind-up periods. Because the three-year liquidation and wind-up period of Ideon will not be completed until March 3, 1995, final liquidating distributions to the Company's shareholders may be deferred until March 1995. Based upon facts presently available to the Company, the Company currently anticipates that an additional amount of approximately $0.20 per share will be available for subsequent liquidating distributions resulting in total liquidating distributions (including the initial liquidating distribution of $0.40 per share distributed September 19, 1991) of approximately $0.60 per share. There can be no assurance, however, that such additional amount will be ultimately available for distribution. The actual amount of subsequent liquidating distributions, if any, will be dependent upon expenses of the liquidation and wind-up, satisfaction of liabilities, and other matters.

The Company is currently considering other transactions or procedures which would result in the transfer or distribution of a portion of the Company's remaining funds to the Company's shareholders prior to the end of the liquidation and wind-up period.

Results of Operations

(Dollar amounts in thousands)

During the three-month period ended March 31, 1992, in the process of the liquidation of the Company and the wind-up of its affairs, the Company had net charges against the reserve for the liquidation and wind-up costs of $61. Significant expenses charged against the reserve included legal expenses of $40, audit expense of $20, and consulting expenses of $16. Significant revenues added to the reserve included $19 of interest income. Net charges against the liquidation and wind-up costs reserve during the three-month period ended March 31, 1992, were substantially as planned and established at December 31, 1990, as adjusted as of December 31, 1991.

During the three-month period ended March 31, 1991, during which period the Company was engaged in its liquidation and the wind-up of the Company's affairs, the Company had net charges against the reserve for liquidation and wind-up costs of $712. Significant expenses included research and development expenses of $243, legal expenses of $175, and salary and benefit expenses of $173. Legal expenses included charges related to both the then anticipated sale of the Company's assets located in St. Louis, Missouri, and the then proposed sale of the Company's research and development activities located in Redwood City, California.

PART II. OTHER INFORMATION

None.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INVITRON CORPORATION

Date: May 14 1992

Joseph Feder

Joseph Feder, Ph.D.
President and Chief Executive
Officer (Principal Executive,
Financial, and Accounting Officer)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 159D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________.

Commission Files Number: 33-1436

9/9 BEST COPY AVAILABLE

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MARY KAY CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

51-0287715
(I.R.S. Employer
Identification No.)

1013 Centre Road
Suite 350
Wilmington, Delaware
(Address of Principale Executive Offices)

19805
(Zip Code)

Registrant's telephone number, including area code: (302) 998-0592

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of he Securities Exchange Act of 1934 during the preceeding twelve months (or for such shorter period that the registrant vas required to file such reports), and ()2) has been subject to such filing requirements for the past 90 days.

Yes X No ____

There is no public trading market for the Registrant's voting stock.

At March 31, 1992 the Registrant had outstanding 365,963 shares of its Common Stock, par value $1.00 per share.

Manually signed and
sequentially numbered [illegible]

MARY KAY CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS	March 31, 1992 (Unaudited)	December 31, 1991
Current assets:		
Cash and cash equivalents	$ 62,396,000	$ 52,157,000
Accounts receivable	3,552,000	6,791,000
Inventories:		
Raw materials	15,514,000	13,666,000
Finished goods	35,138,000	34,690,000
	50,652,000	48,356,000
Income taxes receivable	2,109,000	-
Deferred income tax benefit	8,835,000	8,795,000
Other current assets	5,777,000	4,877,000
Total current assets	133,321,000	120,976,000
Property, plant and equipment, at cost	90,995,000	89,826,000
Less accumulated depreciation	52,203,000	50,819,000
	38,792,000	39,007,000
Identified intangible assets	88,424,000	89,609,000
Goodwill	26,588,000	26,943,000
Long-term investment (Note 3)	79,689,000	79,674,000
Other assets	35,114,000	35,099,000
	$ 401,928,000	$ 391,308,000

LIABILITIES AND CAPITAL DEFICIENCY

	March 31, 1992 (Unaudited)	December 31, 1991
Current liabilities:		
Accounts payable	$ 19,360,000	$ [illegible],959,000
Accrued liabilities	67,990,000	64,390,000
Income taxes payable	-	3,331,000
Deferred sales	11,436,000	10,576,000
Current portion of long-term debt	9,244,000	397,000
Total current liabilities	108,030,000	96,653,000
Long-term debt	236,065,000	244,982,000
Debentures	47,641,000	47,619,000
Notes payable to related parties	52,731,000	52,731,000
Accrued pension obligation	30,809,000	28,794,000
Other liabilities	39,985,000	32,119,000
Capital deficiency:		
$4.50 Class A noncumulative participating convertible preferred stock, $1.00 par value; $50.00 per share liquidation preference ($26,500,000 in the aggregate); 730,000 shares authorized, 529,945 shares issued and outstanding	530,000	530,000
Common stock, $1.00 par value; 1,100,000 shares authorized, 365,963 shares issued and outstanding	366,000	366,000
Capital in excess of par value	5,335,000	5,335,000
Accumulated deficit	(51,389,000)	(49,646,000)
Less amount not "pushed down" to equity of subsidiary	(68,175,000)	(68,175,000)
Total capital deficiency	(113,333,000)	(111,590,000)
	$ 401,928,000	$ 391,308,000

MARY KAY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Net sales	$ 139,340,000	$ 117,724,000
Cost of sales	34,277,000	28,154,000
Selling, general and administrative expenses	89,043,000	76,214,000
Operating income before revaluation of stock option plan	16,020,000	13,356,000
Revaluation of stock option plan	7,749,000	-
Operating income	8,271,000	13,356,000
Other income, net	1,051,000	1,090,000
Interest expense	(11,838,000)	(12,916,000)
Income (loss) before income taxes	(2,516,000)	1,530,000
Provision (benefit) for income taxes (Note 4)	(759,000)	1,117,000
Net income (loss)	(1,757,000)	413,000
Accumulated deficit at beginning of period	(49,646,000)	(66,570,000)
Foreign currency translation adjustment	14,000	86,000
Accumulated deficit at end of period	$ (51,389,000)	$ (66,071,000)

See accompanying notes.

MARY KAY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The consolidated financial statements of Mary Kay Corporation ("MK Corp") include the accounts of MK Corp and Mary Kay Cosmetics, Inc. ("MKCI"), its wholly owned subsidiary. All significant intercompany transactions have been eliminated.

   Certain amounts from 1991 have been reclassified to conform with the 1992 presentation.

2. The interim consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary for a fair statement of the financial position and results of operations for the interim periods presented. These adjustments are of a normal, recurring nature.

   The interim consolidated financial statements of MK Corp should be read in conjunction with MK Corp's consolidated financial statements for the year ended December 31, 1991.

3. Long-term investment consists of an investment in marketable equity securities and certain costs incurred in connection therewith. The investment is carried at the lower of cost or market ($111,021,000 and $109,800,000 at March 31, 1992 and December 31, 1991, respectively).

4. The provision (benefit) for income taxes includes federal, state and foreign income taxes. The provision (benefit) for income taxes differs from that which would be determined by applying the statutory income tax rate to the income before income taxes for the three months ended March 31, 1992 and 1991, due in part to the amortization of certain intangible assets and depreciation of the excess basis of certain fixed assets for financial reporting purposes which are not deductible for income tax purposes.

MARY KAY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net income (loss)	$ (1,757,000)	$ 413,000
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	1,674,000	2,093,000
Amortization	1,922,000	2,199,000
Defined benefit retirement program expense	2,151,000	1,020,000
Accretion expenses	627,000	332,000
Deferred tax benefit	(199,000)	(167,000)
Noncash cost associated with the stock option plan	7,749,000	-
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(223,000)	(512,000)
Inventories	(2,219,000)	(2,768,000)
Income tax receivable	(2,109,000)	1,898,000
Other current assets	(900,000)	(5,975,000)
Other assets	(238,000)	(1,248,000)
Increase (decrease) in:		
Accounts payable	1,401,000	2,500,000
Accrued liabilities	3,600,000	3,908,000
Deferred sales	4,350,000	3,138,000
Income taxes payable	(3,331,000)	-
Other liabilities	(624,000)	(446,000)
Other, net	(106,000)	(14,000)
Net cash provided by operating activities	11,768,000	6,371,000
Cash flows from investing activities:		
Capital expenditures, net	(1,459,000)	(1,331,000)
Decrease in long-term investment	-	1,459,000
Net cash provided by (used in) investing activities	(1,459,000)	128,000
Cash flows from financing activities:		
Principal payment of long-term debt	(70,000)	-
Increase in long-term debt	-	287,000
Net cash provided by (used in) financing activities	(70,000)	287,000
Net increase in cash and cash equivalents	10,239,000	6,786,000
Cash and cash equivalents at beginning of period	52,157,000	34,495,000
Cash and cash equivalents at end of period	$ 62,396,000	$ 41,281,000
Cash payments (refunds) for:		
Interest (net of amounts capitalized)	$ 2,528,000	$ 2,401,000
Income taxes	4,059,000	(1,500,000)

See accompanying notes.

MARY KAY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General Comments

Mary Kay Corporation ("MK Corp") carries on substantially all of its business activities through its wholly owned subsidiary Mary Kay Cosmetics, Inc. ("MKCI") and its subsidiaries, and it is expected that dividends and other payments from MKCI will be the primary source of funds for MK Corp.

Results of Operations

Changes in net sales are influenced principally by the number of Beauty Consultants selling MKCI's products and their productivity. Net sales for the first quarter of 1992 increased to $139.3 million from $117.7 million in 1991, an increase of 18.4%. This increase is attributable to an 11.2% increase in the average number of Beauty Consultants selling MKCI's products and a 6.4% increase in the average sales productivity per Beauty Consultant as compared to 1991. Contributing to the first quarter increase was the continued success of the improvements made in 1991 to the Beauty Consultants' compensation programs. These improvements were structured to increase the attractiveness and incentives associated with a career as a Beauty Consultant.

MKCI continues to evaluate its discount and commission structure, incentive programs, product line and marketing objectives in an effort to stimulate growth in the size and productivity of the sales force.

Cost of sales is primarily variable and generally reflects changes in net sales. Cost of sales as a percentage of net sales for the first quarter of 1992 was 24.6% compared to 23.9% in 1991. The increased cost ratio for the first quarter of 1992 resulted from a shift in the sales mix towards promotional sales, which have lower gross margins than non-promotional products.

Selling, general and administrative expenses include sales commissions and other expenses which are variable with sales, expenses of a discretionary nature and general corporate overhead. These expenses increased to $89.0 million for the first quarter of 1992 compared to $76.2 million for the first quarter of 1991, but decreased as a percentage of net sales to 63.9% from 64.7% for the same periods. Commission expense increased due to higher volumes of net sales recorded in 1992 and as a result of incentive changes mentioned above. Expenses also increased due to increased costs for employee compensation and benefits, the defined benefit plan and international growth. The revaluation of stock option plan is the annual revaluation of the senior management appreciation rights to fair market value, resulting in a noncash expense of $7.7 million.

The provision (benefit) for income taxes includes federal, state and foreign income taxes. The provision (benefit) for income taxes differs from that which would be determined by applying the statutory rate due in part to the amortization of certain costs related to MK Corp's acquisition of MKCI which are not deductible for income tax purposes.

Liquidity and Capital Resources

MKCI's debt service requirements on the senior secured notes for the remainder of 1992 and the first three months of 1993 will be approximately $39.3 million, assuming that the weighted average rate of interest on such notes during the period is 10.85% (the prevailing weighted average interest rate on such indebtedness as of March 31, 1992).

Dividends and other payments from MKCI are expected to be MK Corp's primary source of funds to satisfy its obligations, including its deferred compensation agreements and senior management appreciation rights ("SMARTS"). Principal and interest payments required to be made on the debt of MK Corp are approximately $14.1 million per annum from 1992 through 1996, $18.9 million in 1997, $23.0 million in 1998, $21.5 million in 1999, $34.6 million in 2000, $33.0 million in 2001 and $29.7 million in 2002. It is anticipated that principal and interest payments on the deferred compensation agreements will be approximately $3.4 million in 1992, increasing thereafter depending on exercised SMARTS but in no event greater than $3.6 million annually. Funding requirements associated with the SMARTS are dependent on the value of MK Corp's equity when the SMARTS are exercised. The SMARTS are exercisable in 20% annual increments for five consecutive years commencing on the fifth anniversary of the grant date.

MKCI's ability to make such dividend payments or other payments to MK Corp is subject to restrictions under the senior secured note agreements, based to a certain extent on future adjusted net income, as defined. Subject to compliance with such restrictions, MKCI expects to pay dividends and to provide funds to MK Corp in an amount sufficient to enable MK Corp to satisfy its obligations. MKCI expects to generate sufficient net cash flow from operations to satisfy all scheduled debt service requirements on MKCI's indebtedness, capital expenditures, and dividend or other payments to MK Corp for its scheduled debt service, operating costs and compensation obligations. Required payments with respect to MKCI's indebtedness and the cash requirements of MK Corp will significantly increase the extent to which declines in sales or increases in expenses could have a material adverse effect on MKCI and will reduce the funds that would otherwise be available for use by MKCI in its business. At March 31, 1992, MKCI had working capital of approximately $31.2 million.

PART II

Item 6. Exhibits and Report on Form 8-K

(a) No documents are filed or incorporated by reference as Exhibits to this report.

(b) No reports on Form 8-K have been filed during the quarter for which this report is filed.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MARY KAY CORPORATION

Date: May 14, 1992

By: ______________________
Timothy M. Byrd
Chief Financial Officer and Treasurer
(Principal Financial and Accounting
Officer and Duly Authorized
Officer of Registrant)

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SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 1992, or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ______ to ________

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OLD KENT FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Microfilmed by
Q-Data Corp. - St. Petersburg

Michigan	38-1986608 439
(State of Incorporation)	(I.R.S. Employer Identification Number)
One Vandenberg Center Grand Rapids, Michigan	49503
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (616) 771-5000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No ______

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 1992
Common stock, $1 par value	26,056,829 shares

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OLD KENT FINANCIAL CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

Consolidated Balance Sheets as of March 31, 1992 and December 31, 1991

Consolidated Statements of Income for the three months ended March 31, 1992 and 1991

Consolidated Statements of Cash Flows for the three months ended March 31, 1992 and 1991

Notes to consolidated financial statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

Item 6. Exhibits and Reports on Form 8-K

SIGNATURES

OLD KENT FINANCIAL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets (Unaudited)

(dollars in thousands)	March 31, 1992	December 31, 1991
ASSETS:		
Cash and due from banks	$437,763	$424,807
Federal funds sold and resale agreements	150,000	196,130
Total cash and cash equivalents	587,763	620,937
Interest-earning deposits	35,759	121,195
Trading account securities	56,485	61,297
Investment securities:		
U.S. Treasury and federal agencies	1,629,294	1,366,879
States and political subdivisions	197,541	206,335
Mortgage-backed securities	1,209,807	1,103,071
Other securites	14,665	15,893
Total investment securities (market values of $3,112,001 and $2,826,388, respectively)	3,051,307	2,692,178
Loans	5,025,027	5,111,369
Allowance for loan losses	(96,033)	(87,025)
Net loans	4,928,994	5,024,344
Premises and equipment	113,362	112,363
Other assets	191,990	193,825
Total assets	$8,965,660	$8,826,139
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Deposits:		
Non-interest bearing	$903,844	$977,855
Interest-bearing	6,167,154	6,270,667
Foreign deposits -- interest-bearing	314,935	65,457
Total deposits	7,385,933	7,313,979
Short-term borrowed funds	800,179	695,405
Other liabilities	78,752	69,411
Long-term debt	49,606	74,734
Total liabilities	8,314,470	8,153,529
Shareholders' equity:		
Common stock, $1 par value: 50,000,000 shares authorized; 26,129,649 and 26,770,311 shares issued and outstanding	26,130	26,770
Capital surplus	102,326	139,393
Retained earnings	522,734	506,447
Total shareholders' equity	651,190	672,610
Total Liabilities and Shareholders' Equity	$8,965,660	$8,826,139

OLD KENT FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Income (Unaudited)

(in thousands, except per share data)	For the Three Months Ended March 31, 1992	1991
Interest Income:		
Interest and fees on loans	$114,251	$139,019
Interest on investment securities:		
Taxable	54,623	41,075
Tax exempt	3,271	3,511
Interest on deposits	1,226	3,284
Interest on federal funds sold and resale agreements	1,303	1,335
Interest on trading account securities	623	257
Total interest income	175,297	188,481
Interest Expense:		
Interest on domestic deposits	76,820	96,394
Interest on foreign deposits	1,670	2,239
Interest on short-term borrowed funds	6,034	7,863
Interest on long-term debt	1,030	1,545
Total interest expense	85,554	108,041
Net Interest Income	89,743	80,440
Provision for Loan Losses	15,208	7,907
Net interest income after provision for loan losses	74,535	72,533
Other Income:		
Trust income	8,629	8,999
Service charges on deposit accounts	6,329	5,983
Investment securities transactions	4,006	350
Other	14,178	10,696
Total other income	33,142	26,028
Other Expenses:		
Salaries and employee benefits	32,729	32,226
Occupancy expense	5,117	5,153
Equipment expense	4,144	4,410
FDIC deposit insurance	4,091	3,281
Other expenses	25,109	21,653
Total other expenses	71,190	66,723
Income Before Income Taxes	36,487	31,838
Income taxes	11,907	9,423
Net Income	$24,580	$22,415
Net Income Per Common Share:		
Primary	$.92	$.84
Fully diluted	$.89	$.81
Dividends Per Common Share	$.31	$.29
Number of Common Shares Used to Calculate (Thousands):		
Primary income per share	26,702	26,734
Fully diluted income per share	28,078	28,580

OLD KENT FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)

Three months ended March 31 *(in thousands)*	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 24,580	$ 22,415
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	15,208	7,907
Depreciation, amortization and accretion	4,635	3,274
Net gains on sales of assets	(8,569)	(32)
Net decrease in trading account securities	5,215	4,217
Net (increase) decrease in other assets	(285)	3,103
Net increase in other liabilities	9,525	11,817
Net cash provided by operating activities	50,309	52,701
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investment securities	120,315	72,973
Proceeds from sales of investment securities	300,850	275,248
Purchases of investment securities	(776,990)	(585,502)
Net decrease in interest-earning deposits	85,736	73,160
Net decrease in loans	85,006	57,083
Purchases of leasehold improvements, premises and equipment (net)	(4,130)	(3,470)
Net cash used for investing activities	(189,213)	(110,508)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in time deposits	29,024	(97,064)
Increase (decrease) in demand and savings deposits	42,929	(15,033)
Increase in short-term borrowed funds	104,774	89,819
Payments of long-term debt obligations	(5,890)	(136)
Repurchases of common stock	(58,548)	-
Proceeds of common stock issuances	1,738	61
Dividends paid to shareholders	(8,297)	(7,720)
Net cash provided by financing activities	105,730	(30,073)
Net decrease in cash and cash equivalents	(33,174)	(87,880)
Cash and cash equivalents at beginning of year	620,937	487,716
Cash and cash equivalents at end of period	$ 587,763	$ 399,836

Supplemental disclosures of cash flow information:		
Interest paid on deposits, short-term borrowings, and long-term debt	$ 91,166	$ 112,856
Federal income taxes paid	6,500	5,350

OLD KENT FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
March 31, 1992

NOTE A: BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ended December 31, 1992. For further information, refer to the consolidated financial statements and footnotes thereto included in the Corporation's annual report on Form 10-K for the year ended December 31, 1991.

NOTE B: LOANS AND NON-PERFORMING ASSETS

The following summarizes loans and non-performing assets at the dates indicated (in thousands of dollars):

	March 31, 1992	December 31, 1991
Loans:		
Commercial	$1,197,403	$1,227,273
Real estate -- commercial	1,188,724	1,217,065
Real estate -- construction	172,970	181,163
Residential mortgages	1,175,997	1,145,077
Consumer home equity loans	365,453	365,597
Consumer -- other loans	819,538	864,315
Credit card loans	62,864	69,933
Lease financing	42,078	40,946
	$5,025,027	$5,111,369
Non-performing assets:		
Nonaccrual loans	$91,745	$92,647
Restructured loans	4,889	4,226
Other real estate owned	13,453	13,359
	$110,087	$110,232

NOTE C: INVESTMENT SECURITIES

The following summarizes amortized costs and estimated market values of investment securities at the dates indicated (in thousands of dollars):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
March 31, 1992:				
U.S. Treasury and federal agencies	$1,629,294	$32,622	$5,558	$1,656,358
State and political subdivisions	197,541	5,961	424	203,078
Mortgage-backed securities	1,209,807	32,459	4,964	1,237,302
Other securities	14,665	598	0	15,263
Total investment securities	$3,051,307	$71,640	$10,946	$3,112,001
December 31, 1991:				
U.S. Treasury and federal agencies	$1,366,879	$61,053	$12	$1,427,920
State and political subdivisions	206,335	8,299	147	214,487
Mortgage-backed securities	1,103,071	64,726	106	1,167,691
Other securities	15,893	400	3	16,290
Total investment securities	$2,692,178	$134,478	$268	$2,826,388

NOTE D: CAPITAL STOCK AND CONVERTIBLE DEBENTURES

During the three months ended March 31, 1992, the Corporation repurchased 1,490,276 shares of its common stock at an aggregate cost of $58,548,000. The shares were repurchased under a program announced on January 20, 1992 which permits the repurchase of common stock at an aggregate cost not to exceed $75 million. The purpose of this stock repurchase program is to meet expected needs for shares of Old Kent Common Stock. These needs include the issuance of shares in connection with the exercise of conversion rights by holders of Old Kent Financial Corporation 8% Convertible Subordinated Debentures, due 2010 ("Debentures") and the issuance of shares relative to employee stock plans.

During the quarter ended March 31, 1992, Old Kent issued 761,957 shares of its common stock to holders of Debentures who exercised conversion rights. This reduced the outstanding balance of these instruments from $45,897,000 at December 31, 1991 to $26,630,000 at March 31, 1992. During April 1992, the Corporation announced that it would redeem all Debentures remaining outstanding on May 31, 1992. The redemption price would be $1,032, together with interest to the redemption date, for each $1,000 of principal amount of Debentures. Holders are entitled to exercise their right to convert their instruments on or before May 22, 1992 at a conversion ratio of 39.4737 shares of common stock for each $1,000 of principal amount of Debentures (which is equivalent to $25.3333 per share). If all holders of Debentures outstanding at March 31, 1992 were to exercise conversion rights, Old Kent would issue approximately 1,051,185 shares of its common stock in exchange for those instruments.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION AT MARCH 31, 1992 AND DECEMBER 31, 1991

At March 31, 1992, Old Kent Financial Corporation's total assets were $8,965.7 million compared to $8,826.1 million at December 31, 1991. Total interest-earning assets increased by $136.4 million, or 1.7% since December 31, 1991.

Since December 31, 1991, total loans decreased by $86.3 million, or 1.7%. The decrease in loans reflects a continued trend of diminished commercial loan demand which began in early 1991 and is attributable to the effects of a weakene economy. Loan totals were also affected by sales of residential mortgages. The low interest rate environment spurre refinancing demand. Consequently, Old Kent originated residential mortgage loans totalling $332 million during the quarter ended March 31, 1992 and sold $282 million of such loans into the secondary market during that same period.

Interest-earning deposits, trading account securities, and federal funds sold and resale agreements, on a combined basis, decreased by $136.4 million, or 36.0%, since the end of 1991. Investment securities increased by $359.1 million, or 13.3%. This increase in investment securities accounts for the Corporation's growth in earning assets.

Total interest-paying liabilities increased by $225.6 million, or 3.2% since December 31, 1991. Increases of $104.8 million, or 15.1%, in short-term borrowed funds and of $146.0 million, or 2.3%, in total interest-bearing deposits were the primary sources of increased funding.

Between December 31, 1991 and March 31, 1992, total long-term debt decreased by $25.1 million, or 33.6%. The reduction is due in part to Old Kent's election to retire approximately $5.8 million of capital notes which bore interest at an average cost of 10.17%. The decrease is largely attributable to the exercise of conversion rights by holders of the Corporation's 8% Convertible Subordinated Debentures Due 2010 ("Debentures"). During the first quarter of 1992, approximately $19.3 million of Debentures were exchanged for 761,957 shares of common stock. At March 31, 1992, there were $26.6 million of Debentures outstanding. On April 20, 1992, the Corporation announced that it would redeem all of its outstanding Debentures on May 31, 1992. Holders are entitled to convert their Debentures into Old Kent Common Stock on or before May 22, 1992, after which date the right to convert will terminate. Old Kent's management expects that most holders will exercise their right to convert and that very few, if any, will receive the cash redemption price.

Total shareholders' equity decreased by $21.4 million, or 3.2% since December 31, 1991. The decrease is entirely due to a stock repurchase program initiated during the first quarter of 1992 and is discussed below.

CAPITAL RESOURCES, LIQUIDITY AND INTEREST RATE SENSITIVITY MANAGEMENT

Total shareholders' equity at March 31, 1992 was $651.2 million compared to the December 31, 1991 total of $672.6 million. This decrease of $21.4 million, or 3.2%, was entirely due to repurchases of the Corporation's common stock. On January 20, 1992, Old Kent announced that it may repurchase shares of its common stock at an aggregate cost not greater than $75 million. The purpose of this stock repurchase program is to meet anticipated future needs for shares of Old Kent Common Stock. These needs include, among others, the issuances of shares in connection with the exercise of conversion rights by Debenture holders. The repurchase program would thereby avoid the dilution of shareholders' equity and earnings per share which would be caused by such new issuances of common stock. During the quarter ended March 31, 1992, Old Kent repurchased 1,490,276 shares of its stock for an aggregate price of $58.5 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Continued

Old Kent continues to maintain a strong capital position; at March 31, 1992, Old Kent's equity to asset ratio was 7.26%. The Federal Reserve Board has adopted risk-based capital guidelines which, when fully phased in as of December 31, 1992 will require ratios of 4% for core capital (Tier 1) to risk-adjusted assets and 8.0% for core and supplemental capital (total risk-based capital) to risk-adjusted assets. At March 31, 1992, Old Kent's risk-based capital ratios were well above these regulatory minimum guidelines.

Regulatory capital at March 31, 1992 (under December 31, 1992 guidelines):
(in millions)

	Leverage Ratio	Tier 1 Risk-Based Capital	Total Risk-Based Capital
Actual capital	$600.0	$600.0	$674.8
Required capital	267.4	218.7	437.4
Capital in excess of requirements	$332.6	$381.3	$237.4
Actual ratio	6.73%	10.98%	12.34%
Regulatory Minimum Ratio	3.00%	4.00%	8.00%

Old Kent manages its liquidity to ensure that funds are available to satisfy the cash flow requirements of depositors and borrowers, and to ensure that the Corporation's own cash flow requirements are met. Old Kent maintains liquidity by availing itself of funds accessible from a variety of sources. The most readily available source of liquidity is that which is already resident on the Corporation's balance sheet. Old Kent's short-term assets, such as federal funds sold and resale agreements, when combined with interest-earning deposits, totalled $185.8 million at March 31, 1992. By nature, these types of assets represent highly accessible sources of liquidity. Old Kent's investment securities portfolio totalled $3,051.3 million at March 31, 1992. Though intended to be held on a long-term basis, it included unpledged assets in excess of $2 billion at March 31, 1992. This is also an existing source of easily accessible liquidity. The investment portfolio includes securities which are liquid by virtue of proceeds from approaching maturities and amortization payments, and a high degree of marketability. Depositors within Old Kent's defined markets are another source of liquidity, as are the national capital markets. Old Kent may also access funding via the federal funds markets, utilize collateralized borrowings, or make use of brokers to place large deposit instruments when advantageous. The Corporation may also issue short-term or long-term, public or private, debt instruments. During the first quarter of 1992, Old Kent filed, and had ordered effective, a "shelf" registration with the Securities and Exchange Commission which registered up to $150 million in debt securities for future sale. This filing enhanced liquidity by enabling the Corporation to sell its debt securities in the public markets in the future without the delays which would otherwise be incurred.

The Corporation's asset/liability management goal is to limit the interest rate sensitivity of the balance sheet. Within this framework, certain assets and liabilities are managed to minimize the effect of significant fluctuations in interest rates on net interest income. These activities include regular reassessments of the Corporation's investment securities portfolio. This encompasses sales of financial instruments contained in the portfolio for the purpose of liquidity management, optimization of investment returns, and management of interest rate risk. During the quarter ended March 31, 1992, the Corporation purchased investment securities having a total value of $777 million and sold securities for proceeds of $301 million. The principal purpose of these transactions was to limit Old Kent's sensitivity to changes in interest rates by maintaining the average maturity of the investment portfolio at desired levels. At March 31, 1992 and December 31, 1991, the average maturity of the investment securities portfolio was 3.5 years.

Old Kent recognized $4.0 million in net gains from sales of investment securities during the first quarter of 1992. This compares to $0.4 million for the same period in 1991. At March 31, 1992, the net unrealized gains in the investment securities portfolio was $60.7 million compared to $134.2 million at December 31, 1991. The principal reason for the decrease in net unrealized gains from December 31, 1991 to March 31, 1992 was an increase in longer term interest rates.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Continued

RESULTS OF OPERATIONS FOR THE QUARTERS ENDED MARCH 31, 1992 AND 1991

Primary net income per common share was $.92 for the first three months of 1992 compared to $.84 a year earlier. Fully diluted net income per common share increased from $.81 in 1991 to $.89 in 1992 for the three months ended March 31 of each year. During the first quarter of 1992, the Corporation repurchased 1,490,276 of its common its common shares. This had the effect of improving fully diluted net income per common share.

	Fully diluted net income per share for three months ended March 31,	
	1992	1991
Estimated fully diluted earnings per share without stock repurchase	$0.87	$0.81
Estimated effect of stock repurchase	0.02	--
Fully diluted net income per share, as reported	$0.89	$0.81

Net interest margin, defined as taxable-equivalent net interest income as a percentage of average earning assets, was 4.53% for the first quarter of 1992 compared to 4.43% for the first quarter of 1991. The underlying cause for this improvement was a decrease in the cost of interest-paying liabilities which was greater than the decline in yield on total interest-earning assets.

The fully taxable-equivalent yield on total average interest-earning assets was 8.74% for the first quarter of 1992, compared to 10.20% for the same quarter of 1991. The reduction in yield is primarily due to the effects of a generally lower interest rate environment during the first quarter of 1992 as compared to the same prior year period. The decline in yield is partly due to a change in the composition of interest-earning assets. Investment securities, which generally earn interest at rates lower than those of loans, also represented a greater proportion of total interest-earning assets during the first quarter of 1992 than in that quarter of 1991.

The cost of interest-paying liabilities was 4.85% for the first quarter of 1992, compared to 6.63% for the same quarter of 1991. The reduction in cost of interest-paying liabilities is primarily due to the effects of the lower interest rate environment and the monetary policies of the Federal Reserve System.

The provision for loan losses increased by $7.3 million for the first quarter of 1992 over that quarter of 1991. Net loan charge-offs increased by $1.6 million in comparing those same periods.

	For three months ended March 31,	
(Dollars in thousands)	1992	1991
Provision for loan losses	$15,208	$7,907
Net loan charge-offs	6,200	4,632
Net charge-offs as an annualized percent of average loans	0.49%	0.35%

Old Kent strengthened its allowance for loan losses to $96.0 million, or 1.91% of loans at March 31, 1992 from $87.0 million, or 1.70% of loans at December 31, 1991. This action resulted from the Corporation's continuous reassessment of the credit quality of its loan portfolio and from its recognition of a continued weak economic environment, one in which management believes a higher level of allowance is prudent.

Nonperforming assets consist of loans for which the accrual of interest has been discontinued, loans which have been renegotiated to less than market terms due to a serious weakening of the borrower's financial condition, and other real estate which has been acquired primarily through foreclosure and is awaiting disposition. At March 31, 1992, Old Kent's nonperforming assets represented 1.23% of total assets and 2.19% of total loans compared to 1.25% and 2.16% respectively at December 31, 1991.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Continued

Other income, which includes trust fees, service charges and other non-interest income, increased $7.1 million, or 27.3%, in the first quarter of 1992 compared to 1991. Excluding the effect of gains on investment securities transactions, the increase amounts to $3.5 million, or 13.5%. A $0.4 million decrease in trust fees was offset by a $0.3 million, or 5.8%, increase in service charges on deposit accounts. Pricing adjustments implemented during the twelve months preceding March 31, 1992 aimed at defraying increased deposit insurance levies by the FDIC were the primary factors for this increase. Other revenue increased by $3.5 million, or 32.6%, principally due to increased volumes in Old Kent's mortgage banking activities.

	For three months ended March 31, 1992	1991
Residential mortgage banking volumes (in millions):		
Residential mortgage loans originated by Old Kent	$332	$115
Residential mortgage loans sold by Old Kent	282	119
Mortgage banking revenues (in thousands):		
Mortgage loan servicing revenue	$1,611	$1,057
Gains on sales of residential mortgages	4,094	1,411
Total	$5,705	$2,468

The slight decrease in trust fees referred to above resulted from Old Kent's sale of a marginally profitable business line -- trust accounting for other providers of trust services.

	For three months ended March 31, 1992	1991
Trust Income (in thousands):		
Trust fee income, as reported	$8,629	$8,999
Less amount attributable to trust processing activities	--	439
Trust fee income attributable to continuing trust activities	8,629	8,560

Total other expense, which includes salaries and benefits, occupancy, equipment, and other operating expenses, increased $4.5 million, or 6.7%, for the first quarter of 1992 compared to that quarter of 1991.

Salaries and employee benefits increased by $0.5 million, or 1.6%, in comparing the first quarters of each year. Occupancy expense declined slightly in comparing the first quarter of 1992 to 1991. Equipment expenses decreased by $0.3 million, or 6.0%.

Deposit insurance assessments by the Federal Deposit Insurance Corporation (FDIC) increased by $0.8 million or 24.7%, in comparing the first quarters of 1992 and 1991, as an 18% increase in rates was instituted by the FDIC effective July 1, 1991.

Other operating expenses increased by $3.5 million, or 16.0% in comparing the first quarter of 1992 to 1991. The following summarizes the more significant increases in the components of other operating expenses.

For the quarter ended March 31 (in thousands):	1992	1991	Increase or (Decrease)
Legal and other professional fees	$3,823	$2,973	$850
Postage and shipping	2,089	2,167	(78)
Supplies	1,793	1,816	(23)
Credit card interchange expense	1,774	1,181	593
Special charge for subsidiary & operational consolidations	1,200	--	1,200
All other operating expenses as a group	14,430	13,516	914
Total other operating expenses	$25,109	$21,653	$3,456

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Continued

The increase in legal and professional fees shown above is due to an increase in the level of usage of such professionals in matters involving loan quality. The increase shown for credit card interchange expense relates to a widened base of credit card transactions.

The special $1.2 million charge shown above for the first quarter of 1992 is for estimated costs associated with consolidation of operational activities within the Corporation's finance and accounting functions. Old Kent continues to explore opportunities to optimize operational efficiency.

The provision for federal income taxes increased by $2.5 million for the first quarter of 1992 as compared to the first quarter of 1991. The effective tax rate for the first quarter of 1992 was 32.6% as compared to 29.6% for the prior year's first quarter. The increase in the effective tax rate is largely due to a decrease in the level of tax-exempt interest income.

PENDING ACQUISITIONS

Pending at March 31, 1992 is Old Kent's acquisition of five banking offices located in the Lansing, Michigan area, and their related deposits of approximately $66 million, from a federal savings bank headquartered in Ann Arbor, Michigan. This transaction is subject to regulatory approvals and other conditions, and is expected to be completed in mid-1992. This transaction will be accounted for as a purchase at a price which is not expected to exceed $6 million.

On April 30, 1992, the Corporation entered into an agreement under which it would acquire University Financial Corporation, located in Elgin, Illinois. University Financial Corporation is a thrift holding company which owns First Federal of Elgin F.S.A.. At March 31, 1992, First Federal had total assets of $277 million and five banking offices. Old Kent will pay cash, in a transaction to be accounted for as a purchase, for all of the common stock of University Financial Corporation. Subject to regulatory approvals and other conditions, this transaction is expected to be completed by December 31, 1992.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

The registrant's annual meeting of shareholders was held on April 20, 1992. At that meeting, in addition to the election of directors and procedural matters, the shareholders considered and voted upon three proposals. All three proposals were approved by the following votes.

	VOTES CAST		
	For	Against	Abstain
To approve the Restricted Stock Plan of 1987	20,120,498	1,780,397	230,288
To approve the Deferred Stock Compensation Plan of 1989	19,577,490	2,282,296	271,397
To approve the Stock Option Incentive Plan of 1992	20,051,912	1,822,020	257,251

The descriptions of those proposals, which are contained in the registrant's definitive proxy statement for its April 20, 1992 annual meeting, are here incorporated by reference.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

An Index to Exhibits has been provided following the signatures to this report.

(b) Reports on Form 8-K:

A Form 8-K was filed on March 4, 1992. The report was filed for the purpose of filing the registrant's financial statements as of and for the periods ending December 31, 1991, and its management's discussion and analysis relating to those financial statements.

The following items were reported:
Item 5 - Other Information
Item 7 - Exhibits and Financial Statements

Financial Statements
Report of Independent Public Accountants
Consolidated Balance Sheets- December 31, 1991 and 1990
Consolidated Statements of Income for each of the three years in the period ended December 31, 1991
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 1991
Consolidated Statements of Shareholders' Equity for each of the three years in the period ended December 31, 1991
Notes to Consolidated Financial Statements

Exhibits
Consent of Arthur Andersen & Co.
Management's discussion and analysis of financial condition and results of operations

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OLD KENT FINANCIAL CORPORATION

Date: May 13, 1992

John C. Canepa
Chairman of the Board, President
and Chief Executive Officer

Date: May 13, 1992

Richard W. Wroten

Richard W. Wroten
Executive Vice President and
Chief Financial Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OLD KENT FINANCIAL CORPORATION

Date: May 13, 1992

/s/ John C. Canepa
John C. Canepa
Chairman of the Board, President
and Chief Executive Officer

Date: May 13, 1992

/s/ Richard W. Wroten
Richard W. Wroten
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

Exhibit	Page Number
11 Statement of Earnings per Share	16

EXHIBIT 11

OLD KENT FINANCIAL CORPORATION

EARNINGS PER SHARE CALCULATIONS - PRIMARY AND FULLY DILUTED

	Three Months Ended March 31	
	1992	1991
PRIMARY		
NET INCOME	$24,580,000	$22,415,000
Deduct dividends on preferred stock	- 0 -	- 0 -
INCOME FOR PRIMARY E.P.S. CALCULATION	$24,580,000	$22,415,000
Average common shares outstanding	26,508,042	26,619,806
Common stock equivalents	193,970	114,091
SHARES FOR PRIMARY E.P.S. CALCULATION	26,702,012	26,733,897
PRIMARY E.P.S	**$0.92**	**$0.84**
FULLY DILUTED		
NET INCOME	$24,580,000	$22,415,000
Add back interest on convertible debt (net of income tax)	393,000	609,000
INCOME FOR FULLY DILUTED E.P.S. CALCULATION	$24,973,000	$23,024,000
Average common shares outstanding	26,508,042	26,619,806
Common stock equivalents	201,837	122,096
Additional common shares issuable to debt holders	1,368,084	1,838,039
SHARES FOR FULLY DILUTED E.P.S. CALCULATION	28,077,963	28,579,941
FULLY DILUTED E.P.S	**$0.89**	**$0.81**

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UNITED STATES SECURITIES AND EXCHANGE COMMISSIO

Washington, D.C. 20549

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MAY 14 1992
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FORM 10-Q

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(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES AND EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES ACT OF 1934
For the transition period from ________ to ________.

Commission file No. 1-6336

PETROMINERALS CORPORATION
(Exact name of registrant as specified in its charter)

BEST COPY AVAILABLE

Delaware
(State or other jurisdiction of incorporation or organization)

No. 95-2573652
(I.R.S. Employer Identification No.)

2472 Chambers Road, Suite 230, Tustin, California 92680
(Address of principal executive offices)

(714) 730-5400
(Registrant's telephone number including area code):

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

9/9:M

[X] No   [ ] Yes   L3Q [illegible] 1992

The number of shares of Registrant's Common St [illegible] standing at April 30, 1992 was 7,810,336.

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PETROMINERALS CORPORATION

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PART I - CONDENSED FINANCIAL INFORMATION

Item 1. Financial Statements

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PART I - CONDENSED FINANCIAL INFORMATION
Item 1. Financial Statements

PETROMINERALS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars In thousands, except par value data)

ASSETS	March 31 1992	December 31 1991
Current Assets:		
Cash and cash equivalents	$ 387	$ 686
Accounts receivable	684	839
Inventories	62	68
Prepaid expenses	202	90
Total current assets	1,335	1,683
Property held for sale	773	773
Property and equipment at cost (including oil and gas properties accounted for on the successful efforts method), less accumulated depreciation, depletion and amortization of $16,985 in 1992 and $16,773 in 1991	4,790	4,910
Notes receivable and other assets	244	250
	$ 7,142	$ 7,616
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 189	$ 405
Current portion of long-term debt	170	170
Accrued liabilities	193	163
Royalties payable	50	56
Total current liabilities	602	794
Long-term debt, net of current portion	339	381
Deferred income taxes	1,280	1,280
Shareholders' equity:		
Preferred stock, $0.10 par value, 5,000,000 shares authorized; no shares issued and outstanding	---	---
Common stock, $0.10 par value, 20,000,000 shares authorized; 7,810,336 shares issued and outstanding in 1992 and 1991	782	782
Capital in excess of par value	218	218
Retained earnings	3,921	4,161
Total shareholders' equity	4,921	5,161
	$ 7,142	$ 7,616

See accompanying notes.

PETROMINERALS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

(Unaudited)
(Dollars in thousands, except per share data)

	For the three months ended March 31, 1992	1991
Revenues:		
Produced oil and gas sales	$ 322	$ 471
Production services	1,340	1,676
Interest income and other	25	120
Total revenues	1,687	2,267
Costs and expenses:		
Produced oil and gas operating expense	336	441
Production services expense	1,018	1,285
Depreciation, depletion and amortization	212	224
General and administrative	334	348
Interest expense	12	17
Taxes other than income and other expenses	15	16
Total costs and expenses	1,927	2,331
Net loss before provision for for income taxes	240	64
Provision for income taxes	---	---
Net loss	240	64
Retained earnings beginning of period	4,161	5,077
Retained earnings end of period	$ 3,921	$ 5,013
Net loss per common share	$ .03	$ ---

See accompanying notes.

PETROMINERALS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(In thousands)

	For the Three Months Ended March 31	
	1992	1991
Cash flow from operating activities:		
Net loss	$ (240)	$ (64)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	212	224
Other	3	43
Changes in operating working capital	(141)	(51)
Net cash provided by (used in) operating activities	(166)	152
Cash flows from investing activities:		
Additions to property held for sale	---	(20)
Capital expenditures	(90)	(172)
Net cash used in investing activities	(90)	(192)
Cash flows from financing activities:		
Principal repayments of debt	(43)	(43)
Net cash used in financing activities	(43)	(43)
Net decrease in cash and cash equivalents	(299)	(83)
Cash and cash equivalents at beginning of period	686	388
Cash and cash equivalents at end of period	$ 387	$ 305

See accompanying notes.

PETROMINERALS CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1992

(Unaudited)

1. Basis of presentation

The accompanying condensed financial statements consolidate the accounts of Petrominerals Corporation and Petrominerals Exploration and Development Corporation. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary for a fair presentation for the interim periods. The results of operations for the three month period ended March 31, 1992 are not necessarily indicative of the results to be expected for the full year.

The accompanying condensed consolidated financial statements do not include footnotes and certain financial presentations normally required under generally accepted accounting principles; and, therefore, should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

2. Per share information

Per share information for the three month periods ended March 31, 1992 and 1991, is based on 7,810,336 shares which represent the weighted average number of shares outstanding during the periods.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

During the three month period ended March 31, 1992, the Company utilized net cash of $166,000 in operations. During the same period, cash and cash equivalents decreased $299,000 which is primarily attributed to the use of working capital to finance operations, capital expenditures and to service debt.

The Company believes that at current oil and gas price postings and production service level, its internal cash flow will be sufficient to meet budgeted operating and debt service requirements for the remainder of fiscal 1992. The current oil price postings are approximately $2.25 and $1.00-$2.25 per barrel higher than the March 31, 1992 and December 31, 1991 prices, respectively.

The Company's liquidity and available capital resources are directly impacted by the worldwide price of oil and gas. Oil prices are primarily dependent upon available world supplies which can vary significantly depending on many international economic and political factors. An excess worldwide supply was evident during the first three months of 1992, as the net price the Company received for its oil ranged from a high of $9.43 to a low of $8.86. This compares to an average price of $12.04 for the year ended December 31, 1991.

During the month of March 1992, the average price the Company received for its produced crude was $9.27 per barrel, which is $1.62 below the average price in December 1991. The Company cannot predict, with any degree of certainty, the future price of oil.

Results of Operations - Three Months Ended March 31, 1992 as compared with Three Months Ended March 31, 1991

The Company experienced a 7% decrease in oil production volume for the first quarter of 1992, from the first quarter of 1991. In addition, the average price of crude oil for the quarter decreased 26% to $9.17 from $12.40 during the first quarter of 1991. The decreased production and lower oil prices resulted in a 32% decrease in oil and gas revenues. The decreased oil production resulted from heavy rains in February 1992 and the Company's decision to temporarily shut-in wells which became uneconomic to produce due to low oil prices.

Results of Operations - Three Months Ended March 31, 1992 as compared with Three Months Ended March 31, 1991 (Continued)

The Company's production service rig hours decreased approximately 18% while the average rig rate for the first quarter of 1992 remained constant with the same period in 1991. This resulted in a decrease in production service revenues of 20%. Service rig operating expenses also decreased 21% due to the decreased rig hours. These factors resulted in a 18% decrease in the gross margin for the production service division of the Company.

The reduced rig utilization resulted from rigs being released by the major oil companies for whom the Company performs well servicing. This is due to the low oil prices which have existed since the beginning of the year. At the current time, 15 out of 25 rigs are in operation.

General and administrative expenses decreased 4% for the first quarter of 1992, compared to the same period in 1991. This decrease results from a cost reduction program the Company instituted in March 1992. This program is expected to provide greater reductions as the year progresses.

PART II - OTHER INFORMATION

Item 1. - Legal Proceedings

In October 1989, the Company, as Plaintiff, filed an action against McFarland Energy, Inc., and its subsidiaries (collectively, the Defendants) in the Superior Court of Orange County, California. This action sought damages in excess of $8,000,000 against the Defendants and arises out of the termination of the 1987 Merger Agreement between Petrominerals Corporation and the Defendants. In April 1992, this litigation was settled. The parties dismissed their respective lawsuits, and there is no admission of wrongdoing by either party. McFarland Energy agreed to pay the sum of $50,000 which constitutes partial reimbursement of Petrominerals' litigation costs, upon the execution of a Settlement Agreement by both parties.

Item 5. Other Information

In March 1992 Everett L. Hodges resigned from his position as President and Chief Executive Officer of the Company in order to pursue other business interests. Mr. Hodges continues to serve as a Director of Petrominerals Corporation.

PART II - OTHER INFORMATION (CONTINUED)

Item 5. Other Information

Pending the appointment of a President and Chief Executive Officer, the Board of Directors appointed Kenneth M. Padula to serve as Chief Administrative Officer of the Company. Mr. Padula was appointed to serve as the Company's Vice President and Chief Financial Officer in July of 1991 and continues to hold these offices.

The Board of Directors has formed an Executive Committee for the purpose of overseeing oil field operations. This Committee consists of Directors Paul L. Howard and Everett L. Hodges. Kenneth M. Padula was also appointed by the Board to serve as a member of this Committee.

Signatures

Pursuant to the requirement of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PETROMINERALS CORPORATION

DATED: May 13, 1992

Kenneth M Padula

Kenneth M. Padula
Chief Administrative Officer
Chief Financial Officer

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[ ] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended ______________

[X] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from September 30, 1991 to December 31, 1991

Commission File No. 0-19085

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UNITEL CORPORATION /NV/
Formerly Global Pacific Financial Corporation
(Exact name of Registrant as specified in its charter)

NEVADA	87-0439052
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
3410 AVENUE A GULFPORT, MISSISSIPPI	39507
(Address of principal executive offices)	(Zip Code)

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Registrant's telephone number, including area code (601) 863-1100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding as of March 31, 1992
$.001 PAR VALUE CLASS A COMMON STOCK	5,000,000 SHARES

FINANCIAL REPORT

GLOBAL PACIFIC FINANCIAL CORPORATION

GULFPORT, MISSISSIPPI

DECEMBER 31, 1991

LARRY A. MASSEY

CERTIFIED PUBLIC ACCOUNTANT

GULFPORT, MISSISSIPPI

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LARRY A. MASSEY
CERTIFIED PUBLIC ACCOUNTANT
601-863-5889

2019 24TH AVENUE
GULFPORT, MS 39501

P.O. BOX 1208
GULFPORT, MS 39502

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Global Pacific Financial Corporation
Gulfport, Mississippi

I have reviewed the accompanying balance sheet of Global Pacific Financial Corporation for the three months ended December 31, 1991, and the related statements of loss, retained earnings, and cash flows for the months then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Global Pacific Financial Corporation.

A review consists principally of inquiries of Global Pacific Financial Corporation personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my reviews, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Larry A. Massey

March 15, 1992

Larry A. Massey
Certified Public Accountant

GLOBAL PACIFIC FINANCIAL CORPORATION

BALANCE SHEET

December 31, 1991

ASSETS		
Current Assets:		
Cash on hand and in banks	$ 2,557	
Accounts receivable, Net	878	
Total current assets		$ 3,435
Fixed Assets:		
Land	62,000	
Buildings	276,106	
Furniture	1,597	
Total	239,703	
Less: Accumulated depreciation	28,486	
Total fixed assets		311,217
Other Assets:		
Notes Receivable		39,158
Total Assets		$ 353,810
LIABILITIES & STOCKHOLDER'S EQUITY		
Current Liabilities:		
Notes payable, payments due withing one year	$ 4,889	
Accounts payable	2,160	
Total current liabilities		$ 7,049
Long Term Debt:		
Notes payable, payments due beyond one year		279,889
Other Liabilities:		
Due from Old South Corporation		51,189
Stockholder's Equity:		
Common Stock	2,000	
Additional Paid-In Capital	1,000	
Retained earnings	12,683	
Total stockholder's equity		15,683
Total Liabilities & Stockholder's Equity		$ 353,810

See notes to the financial statements.

GLOBAL PACIFIC FINANCIAL CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
For the Three Months Ended December 31, 1991

Rental Income		$ 13,849
Operating Expenses:		
Taxes and licenses	$ 283	
Insurance	1,026	
Bank charges	116	
Advertising	482	
Utilities	2,435	
Repairs	589	
Telephone	140	
Interest	2,959	
Depreciation	1,309	
Total operating expenses		9,339
Net Income from Operations		4,510
Other Income:		
Interest Income		2,240
Net Income		6,750
Retained earnings, October 31, 1991		5,933
Retained earnings, December 31, 1991		$ 12,683

See notes to the financial statements.

GLOBAL PACIFIC FINANCIAL CORPORATION

STATEMENT OF CASH FLOWS

For the Three Months Ended December 31, 1991

Cash Flows from Operating Activities:		
Net Income		$ 6,750
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	$ 1,309	
Changes in current assets and liabilities		
Decrease in Accounts Receivable	75	
Increase in Accounts Payable	382	
Total Adjustments		1,766
Net Cash Provided by Operating Activities		8,516
Cash Flows from Investing Activities:		
Capital Expenditures for Land and Buildings		(109,414)
Cash Flows from Financing Activities:		
Proceeds from affiliate	5,623	
Proceeds from Notes Payable	100,000	
Payment of Notes Payable	(967)	
Net Cash Provided by Financing Activities		104,656
Net Increase in Cash		3,758
Cash at Beginning of Period		(1,201)
Cash at End of Period		$ 2,557

See notes to the financial statements.

GLOBAL PACIFIC FINANCIAL CORPORATION
NOTES TO THE FINANCIAL STATEMENT
December 31, 1991

Note 1 - Summary of Accounting Policies

History

On December 31, 1991, Global Pacific Financial Corporation sold 4,000,000 shares of its common stock to American Resorts, Inc. for all the stock in O. S. C., Inc., a wholly owned subsidiary of American Resorts, Inc. The two corporations (Global Pacific Financial Corporation and O. S. C., Inc.) merged and their financial statements are presented in this report. American Resorts, Inc. owns 80% of Global Pacific Financial Corporation.

Revenue Recognition

The Company maintains its books and records on the accrual basis of accounting. The Company files its income taxes on the cash basis of accounting.

Accounts Receivable

Account receivables are carried net of any doubtful accounts.

Property and Depreciation

Land, buildings and furniture are carried at cost. Depreciation is recorded on the straight line basis over the estimated useful lives of the assets. For federal income tax purposes, the assets are depreciated over satisfactory periods prescribed by the ACRS and MACRS methods of depreciation.

Notes Receivable

This note is a first mortgage on a sale of real estate of O. S. C., Inc. to the House of Prayer Tabernacle of Ocean Springs, Mississippi. The sale was December 1, 1990, and is payable at $440.44 a month for 234 months at 12% per anum interest. Payments are current.

Income Taxes

Deferred income taxes are provided on differences in income as determined for tax and financial purposes. The differences in income result from excess of deductions for accelerated methods of depreciation and the reporting of income and expense on the cash basis. At December 31, 1991 there were no taxes due or accruing on the corporation.

Stockholders Equity, Common Stock

The carrying value of stock transferred to Global Pacific Financial Corporation by O.S.C., Inc. was $1,000.00, and the carrying value of the stock purchased by stockholders from Global Pacific Financial Corporation was $1,000.00, thus the total of $2,000.00 on the financial statement.

Notes Payable

Listed below is a schedule of the notes owed at December 31, 1991:

JPAC, Inc. 10%, secured by real estate	$ 100,000
Joe & Etta Glass, 10%, secured by real estate	74,686
American General Finance, 10%, secured by real estate	13,786
E. C. Stuart & Willie J. Smith, 8.5%, secured by real estate	58,057
Countywide Funding Corp., 9%, secured by real estate	38,249
Total	284,778
Less: Current Portion	4,889
Long-Term Debt	$ 279,889

Contingent Liabilities

The Company has no contingent liabilities at December 31, 1991.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

The name of Global Pacific Financial Corporation was changed December 31, 1991 to Unitel Corporation. Unitel was incorporated in the State of Nevada. O.S.C., Inc., a Mississippi Corporation, was merged into Global Financial Corporation December 31, 1991. See note 1 of notes to the Financial Statements. Unitel provides all the Long Distance and Alternate Operator Services for Old South Corporation, a Mississippi Corporation.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNITEL CORPORATION

UNITEL CORPORATION, BY:
Registrant

Pres
Nicholas Elliott, President and Director

5-19-92
Dated

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

A discussion and analysis of the financial condition and results of operations of Unitel necessarily requires a discussion and analysis of the Old South Corporation, Inc..

Unitel is essentially a new company and it is planned that Unitel will evolve into a full fledged telecommunications company offering a broad range of products and services similar to the present operating format of the Old South Corporation.

At present Old South Corporation is a customer of Unitel Corporation, providing Unitel with revenues.

The officers, owners, directors, and stock holders of Unitel Corporation and Old South Corporation are the same persons.

The financial statement for December 31, 1991 basically reflects the financial status of Global Pacific Financial Corporation and /or Unitel Corporation on that day, during which there was a sale and merger of O.S.C., Inc. into Global Pacific Financial Corporation (the surviving Corporation) and the simultaneous name change to Unitel Corporation, (UNTL).

The items on the financial statement are primarily the results of assets and liabilities of O.S.C., Inc. being transferred to Global Pacific Financial Corporation/Unitel Corporation in exchange for stock.

On January 1, 1992 Unitel acquired as a customer, Old South Corporation, Inc..

Old South Corporation has been in the public coin operated pay telephone business for three years, owning and operating pay telephones in five states.

Their revenues are generated primarily through the coin box collections and payments from long distance telephone companies that users of the pay telephones access to make long distance calls.

Unitel receives the revenue from Old South Corporation's long distance revenue stream derived from the pay telephone users of Sprint long distance services (Unitel has a "Sprint Partners" contract with Sprint) and alternate operators services.

Officers of Old South Corporation are discussing the sale and transfer of the assets and liabilities of the Old South Corporation to Unitel Corporation, consisting of the cash on hand, office equipment, notes receivable, installed and operating pay telephones, inventory of telephones and spare parts, computer systems and software, offices and warehouse facilities, vehicles, operating revenues, accounts receivable, customer base, employees and management group, sales force, and goodwill.

Old South Corporation has minimal liabilities, and the net assets value of the Corporation are in excess of one million dollars, and is operating profitably.

Under the present structure of Unitel Corporation, Unitel will be on a profitable basis as it has established revenues and does not plan to increase it's liabilities; except for a public stock sale.

Tentative plans of the Officers and Directors of Unitel Corporation and Old South Corporation include raising approximately 5 million dollars through the public sale of stock. Upon that goal being reached, part of the capital raised will be used to assist Old South Corporation to expand it's operations, thereby increasing the revenues flowing to Unitel Corporation. The pay telephone business is a capital intensive industry, there is very little financing available for the purchase of new pay telephone equipment and/or operating capital.

Therefore in order to expand and grow the companies have to depend primarily on a public stock sale for funds.

The coin operated pay telephone industry is a relatively new one, only made possible by the court ordered breakup of the Bell system in 1986. Therefore there is not a long history of industry operations.

The Old South Corporation has been successful since it's inception in 1989.

The diversity of it's income producing sources provides substantial stability to revenues, i.e. approximately 1,000 installed and operating pay telephones throughout five states. Each telephone is computer monitored and operates as a separate and independent profit center.

Therefore, the loss of, or decline of, income from one or several profit centers (telephones) does not materially affect the overall profit picture of the company.

The prevailing theory among industry leaders is that the potential for growth is enormous, and that the markets for the pay telephone industry, and related products/services such as public fax machines and telephone point of sale advertising, are barely tapped.

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

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(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

For Quarter Ended March 31, 1992 Commission file number 33-9415-D

UNIVERSAL CABLE TELEVISION, INC.
(Exact name of registrant as specified in its charter)

COLORADO	76-0259157
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1085 WEST MORSE BLVD. WINTER PARK, FLORIDA	32789
FORMERLY: 8744 WESTPARK DRIVE HOUSTON, TEXAS	77063
(Address of principal executive offices)	Zip Code

Registrant's telephone number, including area code (407) 647 6600

None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X . No_____.

Title of Each Class	Outstanding at April 30, 1992
Common Stock, No Par Value	1,899,691

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UNIVERSAL CABLE TELEVISION, INC.
BALANCE SHEETS

ASSETS

	March 31, 1992 (Unaudited)	DECEMBER 31, 1991 (Audited)
CURRENT ASSETS:		
Cash	$ 435	$ 435
Accounts Receivable - Other	-	7,781
Accounts Receivable - Related Party	40,000	40,000
Total Current Assets	40,435	48,216
OTHER ASSETS:		
Organizational Costs	250	250
Total Other Assets	250	250
TOTAL ASSETS	$ 40,685	$ 48,466

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992 (Unaudited)	DECEMBER 31, 1991 (Audited)
CURRENT LIABILITIES:		
Accounts Payable	$ 19,153	$ 19,153
Current Maturities of Long-Term Debt	-	19,955
Total Current Liabilities	19,153	39,108
COMMITMENTS AND CONTINGENCIES (Note 2)	-	-
STOCKHOLDERS' EQUITY:		
Preferred Stock, $1.00 Par Value, 1,000,000 Shares Authorized	-	-
Common Stock, No Par Value; 100,000,000 Shares Authorized; Shares Issued and Outstanding - 1,899,691	9,358	9,358
Retained Earnings (Deficit) (A)	12,174	-
Total Stockholders' Equity	21,532	9,358
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 40,685	$ 48,466

(A) Reflects January 1, 1992 quasi-reorganization (Note 3)

UNIVERSAL CABLE TELEVISION, INC.
STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31,
(UNAUDITED)

	1992	1991
Revenues	$ 19,955	$ 199,728
Cost of Revenue	-	122,690
Gross Profit	19,955	77,038
General and Administrative Expenses	7,781	56,132
Net Income Before Provision for Federal Income Taxes	12,174	20,906
Provision for Federal Income Taxes	1,800	-
Less Income Tax Benefit	1,800	-
Net Income From Operations	$ 12,174	$ 20,906
Net Income Per Weighted Average Share	$ .01	$ .01
Weighted Average Number of Common Shares Used to Compute Net Income Per Weighted Average Common Share	1,899,691	1,897,141

UNIVERSAL CABLE TELEVISION, INC.
STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31,
(UNAUDITED)

	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	$ 19,955	$ 194,890
Cash Paid to Suppliers and Employees	-	(216,810)
Interest Paid	-	(312)
Net Cash Provided (Used) by Operating Activities	19,955	(22,232)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of Stock	-	45,264
Increase in Other Assets	-	(1,775)
Net Cash Provided (Used) in Investing Activities	-	43,489
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of Debt	(19,955)	(9,459)
Net Cash Provided (Used) in Financing Activities	(19,955)	(9,459)
Net Increase (Decrease) in Cash	-	11,798
CASH AT BEGINNING OF PERIOD	435	-
CASH AT END OF PERIOD	$ 435	$ 11,798
RECONCILIATION OF NET INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Net Income	$ 12,174	$ 20,906
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Notes Receivable	-	(33,720)
(Increase) Decrease in Accounts Receivable	7,781	(4,838)
(Increase) Decrease in Inventory	-	(7,381)
(Increase) Decrease in Prepaid Expenses	-	3,717
Increase (Decrease) in Accounts Payable and Accrued Expenses	-	(916)
Total Adjustments to Net Income	7,781	(43,138)
Net Cash Provided (Used) by Operating Activities	$ 19,955	$ (22,232)

UNIVERSAL CABLE TELEVISION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1992
(UNAUDITED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10Q and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. In the opinion of management, such financial statements reflect all adjustments necessary for a fair statement of the results of operations and financial position for the interim periods presented. Operating results for the three months ended March 31, 1992 are not necessarily indicative of the results that may be expected for the year ended December 31, 1992.

B. Earnings (Loss) Per Share

Earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period.

C. Income Taxes

The Company has unused net operating loss carryovers of approximately $225,000 and $184,000 available to offset future taxable income. These carryovers will expire in 2003 and 2002, respectively, if not utilized.

NOTE 2. COMMITMENTS AND CONTINGENCIES

The Company is exposed as plaintiff or defendant to a number of asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the Company's financial position or results of operations.

NOTE 3. QUASI-REORGANIZATION

The current Board of Directors approved a quasi-reorganization plan on March 5, 1992 to eliminate the retained earnings deficit effective as of December 31, 1991. The reorganization was made to give the Company a new starting point for future operations.

The Board of Directors also approved the sale of Universal Cable Television, Inc. to several members of the Board of Directors of Members Service Corporation.

UNIVERSAL CABLE TELEVISION, INC.
FORM 10Q
MARCH 31, 1992
(UNAUDITED)

PART I

ITEM 2 - MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATION

COMPARISON OF THE THREE MONTHS ENDED MARCH 31, 1992 TO THE THREE MONTHS ENDED MARCH 31, 1991

The Company discontinued its operations in 1991 and hence did not generate any revenue during the three months ended March 31, 1992. The Board of Directors approved a quasi-reorganization plan on March 5, 1992, to eliminate the retained earnings deficit as of December 31, 1991 and to give the Company a new starting point for future operations. The corporate offices were moved to Winter Park, Florida and the Company is currently exploring several related business activities while they continue to finalize their reorganization.

LIQUIDITY AND CAPITAL RESOURCES

Working capital of $21,532 at March 31, 1992 increased $12,424 from working capital of $9,108 at December 31, 1991. The principal component of this increase was a reduction in debt.

The Company has no major capital commitments at the present time and due to its current limited operation does not require any significant cash reserves.

UNIVERSAL CABLE TELEVISION, INC.
FORM 10Q
MARCH 31, 1992
(UNAUDITED)

PART II - OTHER INFORMATION

ITEM 6 - Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNIVERSAL CABLE TELEVISION, INC.

Date: May 13 1992

ARTHUR FEHER
CHIEF EXECUTIVE OFFICER
CHIEF ACCOUNTING OFFICER

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FORM 10-Q

SECURITIES & EXCHANGE COMMISSION
Washington, DC 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1992 Commission File Number 0-15061

Viral Response Systems, Inc.
(Exact name of Registrant as specified in its Charter)

Delaware
(State or other jurisdiction of incorporation of organization)

06-1094112
(I.R.S. employer I.D. Number)

34 East Putnam Avenue, Greenwich, CT
(Address of principal executive offices)

06830
(Zip code)

The Company's telephone number, including area code: (203) 661-1550

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

X YES ___ NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $.002 par value: 4,108,916 shares as of March 31, 1992.

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ITEM 1: FINANCIAL INFORMATION

The condensed financial statements included herein have been prepared by Viral Response Systems, Inc. (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. While certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, the Company believes that the disclosures made herein are adequate to make the information presented not misleading. It is recommended that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report filed on Form 10K for the year ended December 31, 1991.

In the opinion of the Company, all adjustments, all of which are of a normal recurring nature, necessary to present fairly the financial position of Viral Response Systems, Inc. as of March 31, 1992 and results of its operations and cash flows for the three months ended March 31, 1992 and 1991, have been included.

VIRAL RESPONSE SYSTEMS, INC.

BALANCE SHEETS - MARCH 31, 1992 AND DECEMBER 31, 1991

ASSETS	March 31, 1992 (Unaudited)	December 31, 1991
CURRENT ASSETS:		
Cash and equivalents	$ 775,902	$ 1,048,880
Investments (Note #2)	213,337	
Accounts receivable (net of allowance of $13,199 in 1992 and $17,669 in 1991)	16,186	21,280
Inventory (Note #2)	451,544	449,434
Prepaid expenses and other	7,040	10,133
TOTAL CURRENT ASSETS	1,464,009	1,529,727
FIXED ASSETS (net of accumulated depreciation of $71,836 in 1992, $70,949 in 1991)	2,911	3,798
PATENTS (net of accumulated amortization of $41,547 in 1992 and $40,026 in 1991)	37,866	39,387
TOTAL ASSETS	$1,504,786	$1,572,912
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 52,885	$ 61,226
Accrued expenses	282	8,500
TOTAL CURRENT LIABILITIES	53,167	69,726
SHAREHOLDERS' EQUITY:		
Common stock, $.002 par value, 10,000,000 shares authorized, 4,108,916 shares issued and outstanding in 1992 and 4,118,916 in 1991.	8,218	8,238
Additional paid-in capital	3,131,355	3,138,225
Accumulated deficit	(1,687,954)	(1,643,277)
TOTAL SHAREHOLDERS' EQUITY	1,451,619	1,503,186
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,504,786	$1,572,912

The accompanying notes to financial statements are an integral part of these balance sheets.

VIRAL RESPONSE SYSTEMS, INC.

STATEMENTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991

	Three Months Ended March 31,	
	1992 (Unaudited)	1991
NET SALES	$ 13,221	$ 51,454
COST OF SALES	13,942	20,392
Gross Margin	(721)	31,062
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (including $12,590 and $16,573 of advertising expenses in 1992 and 1991, respectively)	64,186	91,005
Operating loss	(64,907)	(59,943)
INTEREST INCOME, NET	20,230	4,873
NET LOSS	$ (44,677)	$ (55,070)
NET LOSS PER SHARE	($.01)	($.01)
WEIGHTED AVERAGE NUMBER OR SHARES OUTSTANDING	4,131,534	4,208,482

The accompanying notes to financial statements are an integral part of these statements.

VIRAL RESPONSE SYSTEMS, INC

STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 1, 1992 AND 1991

	Common Stock	Additional Paid In Capital	Accumulated Deficit	Total
BALANCE, December 31, 1990	$ 8,423	$ 3,146,728	$ (1,390,849)	$ 1,764,302
Purchase of 92,655 shares	(185)	(8,503)		(8,688)
Net loss for three months ended March 31, 1991			(55,070)	(55,070)
BALANCE, March 31, 1991	$ 8,238	$ 3,138,225	$ (1,445,919)	$ 1,700,544
BALANCE, December 31,1991	$ 8,238	$ 3,138,225	$ (1,643,277)	$ 1,503,186
Purchase of 10,000 shares	(20)	(6,870)		(6,890)
Net loss for three months ended March 31, 1992			(44,677)	(44,677)
BALANCE, March 31, 1992	$ 8,218	$ 3,131,355	$ (1,687,954)	$ 1,451,619

VIRAL RESPONSE SYSTEMS, INC.

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 1992 AND 1991

	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET LOSS	$ (44,677)	$ (55,070)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities-		
Depreciation and amortization	2,408	1,521
Change in assets and liabilities:		
Decrease in accounts receivable	5,094	261
Decrease (Increase) in inventory	(2,110)	5,982
Decrease in prepaid expenses and other	3,093	7,838
(Decrease) in accounts payable and accrued expenses	(16,559)	(14,151)
TOTAL ADJUSTMENTS	(8,074)	1,451
NET CASH (USED IN) ACTIVITIES	(52,751)	(53,619)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Fixed asset purchases and patent costs		1,575
Acquisition of Corporate Bonds	(213,337)	
NET CASH USED IN INVESTING ACTIVITIES	(213,337)	(1,575)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of treasury stock	(6,890)	(8,688)
NET CASH USED IN FINANCING ACTIVITIES	(6,890)	(8,688)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(272,978)	(63,882)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	1,048,880	1,238,041
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	$ 775,902	$ 1,174,159

The accompanying notes to financial statements are an integral part of these statements.

VIRAL RESPONSE SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

(1) The Company:

Viral Response Systems, Inc. (the "Company") was incorporated in Delaware on June 17, 1983. The Company's business involves marketing and manufacturing the "Viralizer," a portable electric health care device and companion medicants, "Vira-Spray," designed to be used together to alleviate cold symptoms, allergies and sinusitis. The Company secured financing through a public offering of common stock in September 1986.

(2) Summary of Significant Accounting Policies:

Inventory

Inventory is stated at the lower of first-in, first-out (FIFO) cost or market (net realizable value) and consisted of the following:

	March 31, 1992	December 31, 1991
Raw materials	$352,194	$381,379
Finished goods	99,350	68,055

Research and development costs

For the three month period ended March 31, 1992 and 1991, the Company incurred no research and development costs.

Fixed assets

Fixed assets are stated at cost. Depreciation is computed by use of the straight-line method based on the estimated useful lives of the assets.

Net loss per share

Net loss per share has been computed based on the weighted average number of common shares outstanding each period.

Investments

Investments are recorded at lower of aggregate cost than aggregate market.

	Aggregate Cost	Aggregate Market
Corporate Bonds	$213,337	$215,821

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Viral Response Systems, Inc. was incorporated in June 1983 to develop and market the Viralizer System consisting of the Viralizer, an electrically operated heated nebulizer and the Vira Spray companion medicants. The Viralizer System is sold as a health care device for treatment of upper respiratory symptoms including colds, allergies and sinusitis.

The financial information presented herein includes: (1) Statements of Operations for the Three Months ended March 31, 1992 and 1991, (2) Balance Sheets as of March 31, 1992 and December 31, 1991, (3) Statements of Shareholders' Equity for the Three Months Ended March 31, 1992 and 1991, and (4) Statements of Cash Flows for the Three Months Ended March 31, 1992 and 1991.

Financial Condition, Liquidity and Capital Resources

The Company's cash and equivalents totaled $775,902 March 31, 1992, compared to $1,048,880 on December 31, 1991, and the Company's working capital totaled $1,410,842 on March 31, 1992, compared to $1,460,001 as of December 31, 1991.

Results of Operations

The Company's net sales for the three-month period ended March 31, 1992, which consists almost entirely of wholesale and retail sales of the Viralizer System were $13,221, as compared to sales of $51,454 for the comparable period of the prior year. The operating loss for the three-month period ended March 31, 1992, was $64,907 and the net loss was $44,677 or $.01 per share.

The operating loss for the three months ended March 31, 1992, is a result of lower sales resulting from a widely disseminated and untrue article in the January 1989 issue of Consumer Reports Magazine and untruths promulgated by competitors, retailers and the press office of the Federal Trade Commission. Management believes that the untruths and their effects have been detrimental to the Company's operations. Future sales are difficult to predict.

In conjunction with the ongoing distribution of the Viralizer and Vira-Sprays, the Company plans to continue extensive sales and marketing efforts utilizing in-house sales as well as manufacturers' representatives to retailers and direct marketing to consumers. The Company expects to continue to employ contract manufacturers to provide its manufacturing, assembly and fulfillment operations.

The Company scuffled the Federal Trade Commission's complaint of February 1991 pertaining to perceived advertising claims and the matter is now before the Federal Trade Commission. The Company settled to avoid lengthy, costly and unjust litigation and admitted to no violations.

ITEM 6: EXHIBITS AND REPORTS

(A) Exhibits

11. See Note 2 of the notes to financial statements regarding computation of loss per share.

(B) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VIRAL RESPONSE SYSTEMS, INC.
(Registrant)

Date: Aug 13, 1992

Robert S. Krauser

Robert S. Krauser, Chairman of the Board
(Principal Executive Officer and
Financial and Accounting Officer)

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ______________

Commission File Number 0-19620

WESCO AUTO PARTS CORPORATION
(Exact name of registrant as specified in its charter)

Nevada	84-1152135
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1705 West Garvey Avenue, North
West Covina, California 91790
(Address of principal executive offices)
(Zip Code)

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MAY 18 1992

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(818)814-1541
(Registrant's telephone numb
including area code)

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____
(Former name, address, fiscal year,
if changed from last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No _____

As of May 12, 1992, 8,277,385 shares of common stock were outstanding.

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WESCO AUTO PARTS CORPORATION
AND SUBSIDIARY

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Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

(b) Reports on Form 8-K

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WESCO AUTO PARTS CORPORATION
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	March 31, 1992 (Unaudited)	June 30, 1991
ASSETS		
CURRENT ASSETS:		
Cash	$45,265	$148,678
Accounts receivable, net	635,636	541,542
Advances to stockholder	380,673	343,692
Inventories	4,528,242	2,475,389
Deferred income taxes	87,000	87,000
Supplies and prepaid expenses	309,749	49,664
Total current assets	5,986,567	3,645,965
PROPERTY AND EQUIPMENT, net	2,643,585	1,118,399
OTHER ASSETS	197,305	273,769
	$8,827,457	$5,038,133
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$1,465,039	$600,588
Short-term borrowings	2,095,333	1,032,500
Notes payable and current portion of long-term debt	66,066	214,747
Accrued expenses	220,729	119,476
Accured wages	163,046	242,467
Income taxes payable	-	494,385
Total current liabilities	4,010,213	2,704,163
DEFERRED INCOME TAXES	116,000	116,000
LONG-TERM DEBT, NET OF CURRENT PORTION	-	136,123
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, .0001 par value, 2,500,000 shares authorized; none issued	-	-
Special stock, issued and outstanding; none at June 30, 1991 3,000,000 shares at March 31, 1992	-	-
Common stock, .0001 par value, 25,000,000 shares authorized; Issued and outstanding 3,954,423 and 8,277,385 at June 30, 1991 and March 31, 1992, respectively	828	395
Additional paid-in capital	3,324,599	714,802
Retained earnings	1,375,817	1,366,650
Total Stockholders' equity	4,701,244	2,081,847
	$8,827,457	$5,038,133

WEESCO AUTO PARTS CORPORATION
AND SUBSIDIARY

COONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1992	1991	1992	1991
REVENUES	$3,669,527	$2,904,821	$10,704,509	$8,922,466
COST OF GOODS SOLED	1,891,747	1,506,019	5,588,964	4,718,417
GROSS PROFIT	1,777,780	1,398,802	5,115,545	4,204,049
SELLING, OPERATING / AND ADMINISTRATIVE EEXPENSES	1,721,090	1,163,959	4,959,806	3,384,201
INCOME FROM OPEERATIONS	56,690	234,843	155,739	819,848
OTHER INCOME (EXPEENSE):				
INTEREST INCOME	9,009	6,968	27,028	19,850
INTEREST EXPENSEE	(42,359)	(41,163)	(113,614)	(126,339)
OTHER, NET	(19,137)	(1,671)	(53,871)	(3,765)
	(52,487)	(35,866)	(140,457)	(110,254)
INCOME BEFORE INNCOME TAXES	4,203	198,975	15,282	709,594
PROVISION FOR INCOSME TAXES	1,573	92,554	6,115	284,818
NET INCOME	$2,630	$106,421	$9,167	$424,776
NET INCOME PER CCOMMON SHARE	–	$0.03	$0.001	$0.11
AVERAGE NUMBER I OF SHARES OUTSTANDING	9,787,173	3,891,754	6,723,912	3,861,440

WESCO AUTO PARTS CORPORATION
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended March 31,	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITES:		
Net Income	$9,167	$424,776
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	189,001	195,795
Common stock issued as compensation	20,820	–
Changes in assets and liabilities associated with operating activities:		
Accounts receivable	(94,096)	(40,778)
Inventories	(2,052,853)	29,418
Supplies and prepaid assets	(260,085)	40,289
Other assets	76,464	(128,660)
Accounts payable	864,451	(445,162)
Accrued expenses	21,832	(140,557)
Income taxes payble	(494,385)	(23,202)
Total adjustments	(1,728,851)	(512,857)
Net cash used in operating activities	(1,719,684)	(88,081)
CASH FLOWS FROM INVESTING ACTIVITES:		
Purchase of property and equipment	(1,614,187)	(58,318)
Net cash used in investing activities	(1,614,187)	(58,318)
CASH FLOWS FROM FINANCING ACTIVITES:		
Proceeds from short–term borrowings, net	1,062,833	95,190
Proceeds from notes payable	–	67,219
Advances to stockholder, net	(36,981)	(51,557)
Payments on long–term debt	(284,804)	–
Proceeds from issuance of common stock	2,489,410	37,441
Net cash provided by financing activities	3,230,458	148,293
NET INCREASE (DECREASE) IN CASH	(103,413)	1,894
CASH, beginning of period	148,678	30,115
CASH, end of period	$45,265	$32,009

WESCO AUTO PARTS CORPORATION
AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A-BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with the generally accepted accounting principles for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended March 31, 1992 are not necessarily indicative of the results that may be expected for the fiscal year ended June 30, 1992.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principals have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the registrant's Transition Report on Form 10-K for the period from January 1, 1991 through June 30, 1991.

NOTE B-OCTOBER 1991 TRANSACTION

Effective October 16, 1991, a newly-formed subsidiary of Wesco was merged (the "Recapitalization") into Wesco Auto Parts, Inc. (formerly known as West Covina Auto Parts, Inc.), a private California corporation ("West Covina Auto Parts"). As a result of the Recapitalization, West Covina Auto Parts became Wesco's wholly-owned operating subsidiary. In connection with the Recapitalization, Wesco issued a total of 4,162,550 shares of Common Stock, 3,000,000 shares of its Special Stock, 750,000 Class C Warrants and 750,000 Class D Warrants. Concurrently with its consummation of the Recapitalization, Wesco completed a private placement of 3,157,895 shares of Common Stock for total gross proceeds of $3,000,000 (approximately $2,500,000 net proceeds after fees and expenses).

NOTE C-RECLASSIFICATIONS

Certain reclassifications have been made to the June 30, 1991 financial statements to conform with the March 31, 1992 presentation.

NOTE D-NET INCOME PER COMMON SHARE

Net income per common share has been computed using the weighted average number of shares of common stock and dilutive common stock equivalents outstanding during the periods. The difference between primary net income per common share and fully diluted net income per common share is not significant for the periods presented.

Item 2.

WESCO AUTO PARTS CORPORATION AND SUBSIDIARY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Revenues for the three months ended March 31, 1992 were $3,669,527, an increase of $764,706 or 26% over the comparable period last year. Revenues for the nine months ended March 31, 1992 were $10,704,509, an increase of $1,782,043 or 20% over the comparable period last year. These increases are principally attributable to the September, 1991 opening of a third store in Rowland Heights, California. Revenues from sales to DIY customers for the current three month period were $1,743,449, an increase of $369,897, or 27%, over the comparable period of the prior year, while revenues from sales to commercial customers for the same period were $1,926,078, an increase of $394,809, or 26%. Revenues from sales to DIY customers for the current nine month period were $5,261,691, an increase of $838,797, or 19%, over the comparable period of the prior year, while revenues from sales to commercial customers for the same period were $5,442,818, an increase of $943,246, or 21%.

Gross profit for the three months ended March 31, 1992 was 48.4% of revenues, as compared to 48.2% during the comparable period last year. Gross profit for the nine months ended March 31, 1992 was 47.8% of revenues, as compared to 47.1% during the comparable period last year. These increases are primarily due to purchasing efficiencies gained through vendor volume discount programs as purchasing levels continued to increase. The annualized inventory turnover rate was approximately 1.8 times and 2.3 times during the three months ended March 31, 1992 and 1991, respectively, and 2.1 times and 2.6 times during the nine months ended March 31, 1992 and 1991, respectively. The decreases are primarily due to the full stocking of the Rowland Heights store which began selling its inventory in September 1991 and the Buena Park store which began selling its inventory in April 1992.

Selling, operating and administrative expenses for the three months ended March 31, 1992 increased by $557,131, or 47.9%, over the comparable period of the prior year. As a percentage of revenues, selling, operating and administrative expenses for the three months ended March 31, 1992 increased to approximately 46.9% from approximately 40.1% for the comparable period for the prior year. The increase of selling, operating and administrative expenses is primarily due to three factors: (1) the direct monthly store operating expenses of the Rowland Heights store during the period, accounted for approximately $275,000 of the increase;

(2) the hiring of additional managment, administrative support and store set-up personnel accounted for approximately $200,000 of the increase; (3) the legal and accounting and systems improvement costs incurred with respect to the Company's planned expansion, accounted for approximately $80,000.

Selling, operating and administrative expenses for the nine months ended March 31, 1992 increased by $1,575,605, or 46.6%, over the comparable period of the prior year. As a percentage of revenues, selling, operating and administrative expenses for the nine months ended March 31, 1992 increased to approximately 46.3% from approximately 37.9% for the comparable period for the prior year. The increase of selling, operating and administrative expenses is primarily due to four factors: (1) the direct monthly store operating expenses of the Rowland Heights store during the last seven months of the period, accounted for approximately $650,000 of the increase; (2) the hiring of additional managment, administrative support and store set-up personnel accounted for approximately $500,000 of the increase; (3) the pre-opening costs associated with the September 1991 opening of the Rowland Heights store, such as employee training and grand opening advertising and promotion, accounted for approximately $150,000 of the increase; (4) the legal and accounting and systems improvement costs incurred with respect to the Company's planned expansion accounted for approximately $280,000. The Company's management expects that selling, operating and administrative expenses as a percentage of revenues will decrease as the Company continues to open new stores because managment expects sales to continue to increase, without a proportionate increase in corporate and administrative expenses.

Income from operations decreased from $234,843 for the three months ended March 31, 1991 to $56,690 for the three month period ended March 31, 1992 and from $819,848 for the nine months ended March 31, 1991 to $155,739 for the nine month period ended March 31, 1992. These decreases are primarily due to the increases in selling, operating and administrative expenses described above.

Other income and expense consist of three compnents; (1) interest income from advances made to majority stockholder, which bear interest at 10% per annum and has increased in both periods due to a higher average outstanding balance; (2) interest expense, as a percentage of revenues has decreased in both periods primarily due to a decrease in the Company's bank borrowing prime rate of interest; (3) Other expense has increased in both periods principally due to costs associated the closure of an auto service center at the Company's West Covina Hub store.

Liquidity and Capital Resources

Since July 1, 1991, the Company's primary sources of liquidity have been cash flow from the operation of its stores, bank borrowings on its lines of credit and the net proceeds from its October 1991 Private Placement. The Company's primary capital requirements throughout fiscal 1992 (including amounts already spent and anticipated expenditures for the balance of the fiscal year) are (1) approximately $1,450,000 for the September 1991 opening of its third store in Rowland Heights, California, (2) approximately $1,000,000 for equipment, leasehold improvements, opening inventory and pre-opening expenses incurred in the April 1992 opening of its fourth store in Buena Park, California, (3) approximately $950,000 for equipment, leasehold improvements, opening inventory and pre-openings expenses for the May 1992 opening of its fifth store in Santa Ana, California, (4) approximately $240,000 in license and installation fees to Innovative Data in connection with the installation of Wesco's Catalog System, (5) approximately $250,000 for upgrading the mainframe computer at its administrative offices, and (6) an expected $900,000 for the opening of its planned Montclair, California store in June or July 1992.

In July 1991, West Covina Auto Parts obtained a $2,000,000 revolving line of credit (the "Working Capital Line") from Security Pacific Bank ("Security Pacific"). In January 1992, Security Pacific agreed to increase the Working Capital Line to $3,200,000. From July 1991 through October 1991, West Covina Auto Parts borrowed on the Working Capital Line to retire a $150,000 revolving line of credit with City National Bank; to pay off $402,500 under a separate promissory note to City National Bank; to pay off a $130,000 demand note owed to a third-party trust; to purchase certain inventory and trade fixtures from the prior owner of the Rowland Heights, California store site for $150,000; to repay approximately $50,000 owed in connection with the subsidiary's 1988 acquisition of its El Monte, California store site; and for certain pre-opening and advertising expenses for the Rowland Heights store.

In October 1991, the West Covina Auto Parts repaid the outstanding balance of approximately $1,850,000 then owed on the Working Capital Line from proceeds of the Private Placement. The Company has subsequently borrowed additional amounts on the Working Capital Line to cover inventory payables and to purchase additional inventory and, as of May 15, 1992, owed approximately $1,500,000 on the Working Capital Line. In July 1991, the Company also obtained a $500,000 line of credit from Security Pacific for equipment purchases (the"Equipment Line"), on which the Company had borrowed, as of May 15, 1992, approximately $475,000 to purchase computer hardware and software and other equipment for its Rowland Heights and Buena Park stores. The Working Capital Line and the Equipment Line bear interest at, respectively, 1% and 1.25% over Security

Pacific's prime rate (which at May 15, 1992 was 6.5%) and both mature on November 1, 1992 and are secured by the Company's accounts receivable, inventory, fixtures and equipment.

In October 1991, the Company raised approximately $2,500,000 net proceeds in the Private Placement. The Company used approximately $1,850,000 of these net proceeds to retire the then outstanding balance owed on the Working Capital Line of Credit, approximately $300,000 to pay income taxes and approximately $350,000 towards the opening of the Rowland Heights store. Management believes that so reducing its debt level benefitted the Company by saving interest expense pending its need for further borrowings on the Lines of Credit to fund its planned expansion through fiscal 1992.

The Company owed approximately $350,000 on May 15, 1992 to California State Bank, under a promissory note requiring monthly interest payments at the rate of 5.25% per annum, which is secured by certificates of deposit provided by a trust controlled by Mr. Sheerin's mother-in-law for the benefit of Mr. Sheerin's wife and sister-in-law. Since March 1992, the Company has been obligated to pay the trust a fee equivalent to interest on the guaranteed obligation at the rate of 3.15% per annum in consideration of its providing such security for the Note. Full repayment on the Note is due on September 21, 1992.

The Company estimates that each new satellite store will require approximately $800,000 of initial inventory (of which the Company anticipates that approximately 50% to 60% will be financed on payment terms from vendors) and approximately $500,000 to $575,000 for equipment, leasehold improvements and other pre-opening expenses. The Company's management estimates that each new hub store will require approximately $1,400,000 of initial inventory (of which the Company anticipates that approximately 50% to 60% will be financed on payment terms from vendors) and approximately $600,000 to $700,000 for equipment, leasehold improvements and other pre-opening expenses. As of May 15, 1992, the Company had approximately $1,725,000 of borrowing capacity on the Lines of Credit and cash on hand of approximately $150,000, which managment anticipates will be sufficient to open the planned Santa Ana, California satellite store in May 1992 and the planned Montclair, California satellite store in June or July 1992.

The Company will require additional sources of capital to open new stores after its planned Santa Ana and Montclair stores. The Company intends to satisfy such additional capital requirements from the exercise of currently outstanding warrants, bank borrowing, or from additional debt or equity financing and, to the extent available, cash from operations. However, except for its Lines of Credit, the Company has no commitments with respect to such bank borrowing, warrant exercises or debt equity or financing, and there can be no assurance that any such warrants will be exercised, any such borrowing or financing will be available on favorable terms, if at all, or that operations will generate any significant cash for the opening of additional stores. Further, there is no assurance that the Company's assumptions or estimates of the timing and costs of opening and operating additional stores will prove accurate, and unanticipated problems may arise and affect such expansion plans. Moreover, there is no assurance that the Lines of Credit will be renewed, or that alternative financing will be available, when they mature on November 1, 1992.

The Company now has outstanding: (1) the Class A and Class C Warrants to purchase an aggregate of 1,500,000 shares of Common Stock, at an exercise price of $2.50 per share, (2) the Class B and Class D warrants to purchase an aggregate of 1,500,000 shares of Common Stock, at an exercise price $3.50 per share, (3) an option to purchase up to 422,106 shares of Common Stock, at $1.00 per share, by June 25, 1992, (4) incentive stock options to purchase 1,021,467 shares of Common Stock at prices ranging from $1.00 to $3.50 per share and (5) other options and warrants to purchase up to 365,000 shares of Common Stock at prices ranging from $.95 to $5.00 per share. Such potential proceeds, together with future repayment of a $380,000 indebtedness owed by Mr. Sheerin to the Company, which matures September 1, 1992, constitute additional potential sources of liquidity and capital resources for the Company.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) **Exhibits.** None.

(b) **Reports on Form 8-K.** The Company did not file any reports on Form 8-K during the three months ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized on May 14, 1992.

WESCO AUTO PARTS CORPORATION

Jeff Silver,
Chief Financial Officer and
Secretary